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**JOINT EVALUATION**  
**‘THE GEF ACTIVITY CYCLE AND MODALITIES’**  
**EVALUATION COMPONENT 3: REVIEW OF RELATED**  
**INITIATIVES**

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### **Acronyms:**

CCA	Common Country Assessment
CDF	Comprehensive Development Framework
CODE	Committee on Development Effectiveness
CPAP	Country Program Action Plan
CPAR	Country Procurement Assessment Review
CPD	Country Program Document
CSP	Country Support Program
DFID	UK Department for International Development
EIA	Environmental Impact Assessment
ExCom - Agencies	Agencies represented in the executive Committee of UNDG
GTZ	Gesellschaft fuer Technische Zusammenarbeit (Germany)
IDA	International Development Agency (World Bank Group)
IFI	International Financial Institutions
JBIC	Japan Bank for International Cooperation
KfW	KfW Development Bank (Germany)
MDB	Multilateral development banks
MDGs	Millennium Development Goals
MFI	Multilateral Financial Institutions
NEX	National Execution
OECD/DAC	Development Assistance Committee of the OECD
PRSP	Poverty Reduction Strategy Papers
RAF	Resource Allocation Framework
RBB	Results based budgeting
RBM	Results based management
TCPR	Triennial Comprehensive Policy Review
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group
UNEG	United Nations Evaluation Group

## **1. Purpose and Methodology**

The present review is part of the Joint Evaluation on the GEF's activity cycle and modalities, which is carried out in a joint effort of the evaluation offices of the GEF partner agencies under the leadership of GEF Evaluation Office. The Joint Evaluation consists of 8 components. The purpose of this component is to review completed and on-going initiatives for simplification, harmonization and program management within the partner agencies of the GEF or externally. It aims to (a) tap into relevant information from other sources; (b) identify opportunities for streamlining GEF approaches in future; or (c) identify lost/seized opportunities for integration in the past. It is expected to provide the future context for providing recommendations.

The methodology involved gathering and review of documentation on simplification, harmonization and project cycle management issues from multiple sources of information, including the Multilateral Development Banks (MDBs), the Development Assistance Committee of the OECD (OECD-DAC), the UN, the GEF and Implementing and Executing Agencies. Much of the information was obtained from websites, with some information being provided in response to phone interaction with agencies.

## **2. International consultations on aid effectiveness**

The Monterrey Consensus<sup>1</sup> of 2002 found the global community affirming the importance of aid effectiveness. As part of the follow-up to Monterrey, the international development community committed in Rome in 2003 to align development assistance with partner country strategies, harmonize donor policies and procedures, and implement principles of good practice in development cooperation<sup>2</sup>. A year later in Marrakech (February 2004), the Heads of the multilateral development banks and the Chair of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) affirmed their commitment to fostering a global partnership on managing for results by aligning cooperation programs with desired development results, and relying on and strengthening partner countries' monitoring and evaluation systems to track progress and assess outcomes. Finally, in 2005, 90 countries and 27 development institutions excluding the GEF but including all of its Implementing- and Executing Agencies adopted the Paris Declaration for Aid Effectiveness<sup>3</sup>.

The main thrust of these international consultations has been on a country-based approach, emphasizing country ownership, government leadership and engaging civil society, including the private sector. Donors and partner countries committed to an ambitious program of actions in five broad areas: (a) aligning development assistance on partner countries' national development strategies, priorities, and systems; (b)

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<sup>1</sup> Report on the International Conference on Financing for Development, United Nations, March 2002, Mexico

<sup>2</sup> Rome Declaration on aid harmonization, 2003, ([www.aidharmonization.org](http://www.aidharmonization.org))

<sup>3</sup> Paris Declaration on Aid Effectiveness, High Level Forum, 2005, ([www.aidharmonization.org](http://www.aidharmonization.org))

streamlining and harmonizing donor policies, practices, and procedures; (c) implementing good practice principles in development assistance delivery, including through delegated cooperation<sup>4</sup>; (d) increasing the flexibility of country-based staff to manage country programs; and (e) developing incentives within donor agencies to foster management and staff recognition of the benefits of harmonization. The Marrakech Memorandum<sup>5</sup> complemented the Rome commitments by putting the focus on results at the center of the development community's work, including in the areas of harmonization and alignment.

The Paris Declaration for Aid Effectiveness took this process further, concretizing the measures to be taken by partner countries and donors. It contains some 50 commitments to improve the quality of aid, which will be monitored by 12 quantitative indicators. Participants agreed to set targets for 2010 for each of the indicators, involving action by donors and partner countries, which can help to track and encourage progress in implementing the commitments.

The continuous process of international consultation on aid effectiveness involved the major players of international development cooperation, providing the framework for policies, procedures and practices to enhance effectiveness of aid delivery.

### **3. Key trends**

The developments towards improved effectiveness of international cooperation are relevant to the GEF in two different ways. Initiatives shaping some stages of the project cycle (e.g. appraisal and approval, evaluation) and some activities that are not part of but do affect the project cycle (guidelines, policies, programming) are of direct interest to the GEF as an organization who is directly involved in such activities. On the other hand are such cycle stages and activities that are primarily in the domain of the GEF's network of partner agencies (Implementing- and Executing Agencies). In the latter case the GEF has an interest in ensuring that agencies apply effective and efficient processes and that synergies between partners are exploited wherever possible.

The review of a representative (but not exhaustive) sample of initiatives revealed four trends of particular relevance to the GEF. First, there is an overall move towards the organization-wide application of Results Based Management Systems. Second, most of the agencies have been taking concrete steps towards decentralization with some having started to make enhanced use of country systems. Third, the implementation of harmonization steps as agreed upon in the Paris Declaration is making good progress mainly among the UN agencies in the fields of joint programming and evaluation. Among the MDBs harmonization efforts have been most active in the areas of financial management, procurement and environmental and social safeguards. Fourth, simplification measures vary widely between agencies ranging from more flexible requirements for project design to streamlined financial management and audit procedures. No clear trend is recognizable in this field, but simplification is increasingly

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<sup>4</sup> Delegated cooperation is a practice where bilateral donors or agencies act as agents and/or financing channels for other bilateral donors or agencies.

<sup>5</sup> Joint Marrakech Memorandum, Second International Roundtable on Managing for Development Results, 2004 ([www.adb.org](http://www.adb.org))

linked to harmonization, requiring a collaborative approach for simplification measures to be effective.

The GEF holds a particular position among its partner agencies since it is specialized only in environmental cooperation and it does not have its own in-house project implementation capacity. Thus, not all of the ongoing developments are of equal importance to the GEF as they are to its partner agencies. Furthermore, there might be other trends and developments in the private sector and in the field of environmental cooperation proper that are not included here but are indeed of relevance to the GEF.

From the review of initiatives it appears that the relevance of the initiatives to the GEF takes three different forms:

- Initiatives that are mainly the domain of individual agencies but could become more relevant in the future, thus suggesting close observation of these trends by the GEF (e.g. through participation in the relevant working groups and task forces or through agreements for mutual information exchange on organizational matters). Mostly this is true for simplification of processes and the agencies' own decentralization efforts. Also the efforts of partner agencies to improve monitoring to meet the needs of effective RBM systems is a development taking place within agencies but of high relevance to the GEF, since the effectiveness of its own RBM system depends on the quality of monitoring done by agencies.
- In some areas the development are relevant to the GEF as a thematic leader in the field of international environmental cooperation. (Here it could play the role of a "hub" or at least of a proactive partner within the network of partner agencies.) Such areas are in particular the environmentally related initiatives like the harmonization and the strengthening of the use of country systems in the field of environmental and social safeguards but also the ongoing discussion on RBM aggregation techniques for environmental results and impacts.
- Finally there are some initiatives directly relevant to the GEF as an organization, i.e. mainly to the work of 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 strengthen country-level support to the implementation of the RAF in the near future. Furthermore, the GTZ's experience with adaptive management in the project cycle could be looked into more closely.

## **4. Move towards Results Based Management (RBM)**

### ***a. Overview, Trends and relevance to GEF***

In the mid nineties, development co-operation agencies were either designing, installing or reforming their performance measurement systems. Meanwhile most international organizations have RBM systems in place and a process of convergence is taking place.<sup>6</sup> Results based management and measurement processes took place at three key

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<sup>6</sup> DFID'S Assessment of multilateral effectiveness – an overview of results, DFID, 2005

organizational levels within agencies. The first level, which had been established the longest and for which there was most experience, was at the project level<sup>7</sup>. Thereafter, efforts had been underway in a number of the donor agencies to establish country level systems, usually implemented by their country offices or operating units. Finally, the events at Monterrey, Rome, Marrakech and Paris, further led to a greater impetus on the introduction of RBM systems at the agency level, including Results Based Budgeting (RBB) and performance based allocation systems<sup>8</sup>.

Multilateral as well as bilateral aid organizations introduced reforms of performance based measurement systems, with the UN building RBM into the system-wide harmonization efforts through Results Matrices in its UNDAF and the Multilateral Development Banks (MDBs) establishing a Common Performance Assessment System (COMPAS)<sup>9</sup>. Obviously, some organizations have advanced in their work on RBM strategies more than others. Despite the serious difficulties faced by many organizations, there is a trend for further advancing the RBM approach in most of the partner agencies of the GEF. It is recognized that the challenge is to go beyond systems and procedures and to actually use results information to inform learning and decision-making.

While most of the efforts to harmonize RBM systems have taken place in different groups of agencies, the Millennium Development Goals represent an important overarching step towards the establishment of a common set of objectives, which facilitates the establishment of common indicators for results.

Given the growing demand for a more coherent and harmonized cooperation of agencies and donors with partner countries, the differences of approaches applied by different agencies still represent a major barrier to the effective use of RBM systems, despite the initial progress on harmonizing the systems. Thus, further harmonization of systems and enhancing the effective use of the information generated by RBM systems will be important features of RBM efforts in coming years.

The GEF has not been closely involved in harmonization of RBM. This is despite the GEF's own efforts to strengthen results based systems, including the Resource Allocation Framework and the current work of the Focal Area Task Forces to establish area specific performance indicators.

### ***b. RBM approaches and systems***

How RBM is applied to a particular institution varies widely between agencies and donors. A Joint Inspection Report of Implementation of RBM in the United Nations<sup>10</sup> was carried out in 2004. The report found that different parts of the UN system used varied definitions and terminology to reflect the shift to the results based approach. UNDP, the United Nations Population Fund (UNFPA) and the World Food Program (WFP) use the term results-based management; the United Nations Children's Fund

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<sup>7</sup> OECD DAC Background paper on Results Based Management in Development Cooperation, 2000.

<sup>8</sup> A performance based allocation system allocates resources to countries that make the best use of these resources using indicators to assess and monitor the performance of recipient countries.

<sup>9</sup> The Multilateral Development Bank Common Performance Assessment System, 2005 Report, MDB Working Group for Managing for Development Results

<sup>10</sup> Joint Inspection Unit, Evaluation of RBM at the UN, JIU website, 2006.



(UNICEF) uses results-based program planning and management; the United Nations uses results-based budgeting (RBB); and the United Nations Educational, Scientific and Cultural Organization (UNESCO) refers to its results approach as results-based programming, management and monitoring.

At the International Labour Organization (ILO), the results approach translates into strategic budgeting and at the Food and Agriculture Organization (FAO), the approach is implemented through a set of conceptual and procedural advances (Strategic Framework, New Program Model, enhanced monitoring and evaluation regime), while rarely referring explicitly to results-based management. During the evaluation the Inspectors noticed that some program managers perceive RBM as a management tool, others perceive it as a budgetary technique or even as a mere bureaucratic requirement to justify their resources.

Although all of the organizations of the United Nations system are in the midst of implementing the results-based approach in one form or another, some were proving to be more effective and efficient in conducting this ongoing process than others. Generally, the Inspectors found that the group of United Nations Funds and Programs (namely UNDP, UNFPA and WFP) were the most methodical and systematic in their implementation of RBM, undoubtedly because their shift to a results-based approach was founded on a clearly developed conceptual framework and guided, *inter alia*, by the experience of other agencies (including some national agencies). At the outset, these organizations approached RBM as a broad management strategy aimed at achieving changes in the way they operate and where various blocks come together in a coherently planned, albeit gradual, manner to build an effective and solid system of management.

A review<sup>11</sup> of RBM in bilateral and multilateral institutions found that many of the development co-operation agencies were struggling with common problems of how to institute effective processes and practices for measuring their performance. All seven of the donor agencies reviewed had considerable experience with performance measurement at the project level. Well-established frameworks, systems and practices had, for the most part, been in place for some years. There was a good deal of similarity in approach among agencies at the project level.

Most agencies had also initiated performance measurement systems at higher or more comprehensive organizational levels as well -- such as at the country program level and/or at the agency-wide (corporate) level. But, generally speaking, experience at these levels was more recent and less well advanced. Yet, establishing measurement systems at these higher organizational levels -- particularly at the corporate level -- is currently considered an urgent priority in all the agencies reviewed. Agency level performance measurement systems were found to be necessary to respond to external domestic pressures to demonstrate the effectiveness in achieving results of the development assistance program as a whole. How to effectively and convincingly link performance across these various levels via appropriate aggregation techniques was found to be a major issue and challenge for these agencies.

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<sup>11</sup> OECD/DAC Documents on RBM: RBM in the Cooperation Agencies, A Review of Experience, 2000; the review included USAID (United States), DFID (United Kingdom), AusAID (Australia), CIDA (Canada), Danida (Denmark), UNDP, World Bank

In this respect IDA has put in place a new system in its 14<sup>th</sup> replenishment taking effect in July 2005<sup>12</sup>. The IDA14 results-measurement system is designed to show aggregated results across IDA countries, reflect the priorities and processes of national poverty-reduction strategies, assess IDA's contribution to development results and link to the Millennium Development Goal Framework. It measures results at two levels: The first tier of the system includes 14 indicators and measures Aggregate country outcomes. Relating to Poverty Reduction Strategy Papers (PRSPs), and IDA's support for economic growth, private-sector development and public-sector management that are necessary to reduce poverty. The second tier of the system focuses on IDA's contribution to country outcomes. Based on a self-assessment system in World Bank Country Assistance Strategies in IDA countries and an assessment of the quality and outcomes of projects in the IDA portfolio, drawing on data from the Independent Evaluation Group (IEG) and the Quality Assurance Group (QAG).

Another important component of RBM systems is the incentive structure that motivates staff to effectively apply RBM principles. According to a study carried out by OECD/DAC in cooperation with several donor agencies<sup>13</sup>, the lessons derived from processes of organizational change management suggest that when senior and middle management systematically focuses attention on a key corporate issue or practice, they give staff a clear signal to adjust human resources and budgets. In most international agencies, management is increasingly demonstrating its interest in and commitment to the results agenda. Development agencies are beginning to identify and adjust human resources and budget policies so as to provide incentives to achieving the results management agenda. There is also increased attention to building staff capacity to implement the results focus at the country level, to monitoring and reporting upon their contribution to the partner countries' development, and to providing appropriate guidance, training, and information technology systems.

### ***c. Results Based Budgeting and results based allocation systems***

The introduction of Results Based Budgeting (RBB) as a management principle in multilateral agencies has been promoted by donor countries, especially the US who has introduced a Government Performance and Results Act in 1993, for some time. In 2000 the UN General Assembly adopted a resolution to move the UN System towards a RBB system. Since then most of the UN agencies and the Multilateral Development Banks have introduced RBB or are in the process of doing so.

A review of the RBB experience in the UN<sup>14</sup> revealed that the respective roles and responsibilities of program managers, the Office of Program Planning, Budget and Accounts and the Office of Internal Oversight Services vis-à-vis the results-based paradigm need to be clearly defined; self-evaluation and self-monitoring on the part of program managers need to become part of the management culture and practice, with program managers being fully involved in and aware of the development of the logical

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<sup>12</sup> IDA Results Measurement System, IDA Website

<sup>13</sup> MfDR principles in action: sourcebook on emerging good practices, OECD-DAC Joint Venture on Managing for Development Results, March 2006

<sup>14</sup> Evaluation of Results Based Budgeting in the United Nations: October, 2002

framework for their programs; the format of the program performance report needs to be enhanced to reflect the measurement of results, while maintaining the link to the provision of mandated outputs; information systems, need to be enhanced to provide methods of capturing qualitative information and links to other budgetary and financial systems.

UNIDO has been introducing an organization-wide RBM system in 2004/2005. The main areas to be covered by RBM are programming and budgeting, human resource management and program and project management, including technical cooperation and global forum activities. The first achievement of this process has been the production of the 2006-2007 Program and Budgets in a results-based mode. Furthermore a network of RBM focal points has already been created and a reporting mechanism designed. However, the network is not yet fully operational. Major challenges in the implementation of RBM in UNIDO concern the development of relevant indicators and the adaptation of the existing monitoring system to the requirements of RBM.

An increasingly common feature of RBM systems are performance- or results based allocations systems, like the recently introduced Resource Allocation Framework (RAF) of the GEF. Probably the longest experience with such system is with IDA, who has been applying a “performance based allocation system” since 1977 and is constantly revising the performance indicators for its validity. Recent changes led to decreased importance of the still dominating governance factor in the calculation of the performance rating.<sup>15</sup>

The ADB is also revising its performance based allocation system. Here the transition from historical to policy-based allocation is ongoing. The revision of the PBA policy of ADB calls for more flexibility in the application of criteria and the periods applied for aligning the allocations. It also aims at a more direct reward for performance improvements and an improved measurement of needs, based not only on income and population figures.<sup>16</sup>

The MDBs have undertaken efforts to take stock of recent changes to performance based allocation systems applied in the group and, within the framework of existing institutional mandates and policies, considered the scope for closer alignment and collaboration.<sup>17</sup>

While most of the bilateral donors are not yet applying performance based allocation schemes, there is a general trend towards increased use of such systems (e.g. Germany, France, Netherlands, UK).<sup>18</sup>

#### ***d. Results Based Management at the Project Level***

At the project level the major difficulty faced by RBM implementers is the cost-effective collection of baseline and monitoring data to feed the RBM systems with meaningful

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<sup>15</sup> IDA’s Performance-Based Allocation System: IDA Rating Disclosure and Fine-tuning the Governance Factor, IDA, September 2004

<sup>16</sup> Performance-based allocation at ADB: proposed enhancements, ADB 2004

<sup>17</sup> Information note on the MDB Technical Meeting on Performance Based Allocation Methods, ADB Headquarters, January 2005

<sup>18</sup> Aid Allocation Criteria: Managing for Development Results and Difficult Partnerships, Report by Oxford Policy Management (OPM) for the OECD DCD, 2005

information<sup>19</sup>. A review of several multilateral agencies carried out by DFID in 2005<sup>20</sup> revealed that the commonest weakness of RBM systems is in monitoring, evaluation and reporting. The World Bank has introduced a revised Project Appraisal Document (PAD) that now outlines who is responsible for producing the required information for monitoring the progress of implementation.<sup>21</sup>

Several agencies are currently trying to strengthen the feed back loop from results based monitoring at the project level to informed decision making at the agency level through improved management response systems or management action records and follow up systems.

For example, in 2001, a joint working group of the Programme Management Department and the Office of Evaluation and Studies of IFAD intensively reviewed the need and possibilities for increased impact achievement through the project cycle. As a final result, in June 2001 a unified project design document and key file was introduced.<sup>22</sup>

Another example is the system for measuring results introduced by IDA in 2002<sup>23</sup>. This system was designed to strengthen the focus of IDA's activities on development outcomes and to help inform IDA donors about the effectiveness of IDA's assistance. The system has been strengthened as part of the IDA14 replenishment negotiations, and the enhanced system took effect in July 2005. To facilitate tracking of the system's indicators and to report on progress, a new interactive website has been created which provides explanations of the indicators, makes data easily accessible, provides graphing tools, and provides links to other relevant sources.

#### ***e. RBM at the Global Environment Facility***

RBM at the GEF has mainly two dimensions. First, the introduction of a complete results management framework including, inter alia, the development of indicators at the project level and adequate management information systems as well as reporting on results in the annual performance review and, second, a performance based allocation systems, the RAF (Resource Allocation Framework). Both systems are work in progress.

While some of the partner agencies are directly involved in the planning and implementation process of these new instruments, others are developing their own systems without being involved in the planning of the GEF's RBM system. This shortcoming harbors the potential for future complications in expanding the network of partners and to improve its effectiveness. The challenge for the GEF is to harmonize policies, procedures and practices among the executing and partner agencies with different implementation procedures in execution of GEF projects and programs.

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<sup>19</sup> MfDR principles in action: sourcebook on emerging good practices, OECD-DAC Joint Venture on Managing for Development Results, March 2006

<sup>20</sup> DFID'S Assessment of multilateral effectiveness – an overview of results, DFID, 2005

<sup>21</sup> Independent Evaluation Group, World Bank: Annual Report on Operations Evaluation 2005

<sup>22</sup> Strengthening the impact of IFAD's project cycle, [www.ifad.org/events/past/impact/impact\\_e.pdf](http://www.ifad.org/events/past/impact/impact_e.pdf) website.

<sup>23</sup> IDA Results Measurement System: Progress and Proposals, 2003, IDA website

## **5. Move towards decentralization and the use of country systems<sup>24</sup>**

### ***a. Overview, Trends and relevance to GEF***

One of the most evident and comprehensive trends in international cooperation during the last two decades has been the move towards decentralization and the enhanced use of country systems. The differences between the policies applied by the GEF partner agencies with regard to decentralization and use of country systems are considerable. Broadly speaking, it appears that the more decentralized an agency is, the more advanced are its efforts to make use of country systems.

Both trends are of particular relevance to the GEF. With regard to direct impact on GEF results, the ongoing developments regarding the use of country systems for environmental and social safeguards are of particular interest. GEF projects require appropriate social safeguards and the ongoing developments regarding the use of country systems in this area might affect the effectiveness of such safeguards.

The use of country systems differs widely among partner agencies of the GEF. These differences are to some extent related to the differences in modalities used, with Budget Support<sup>25</sup> and Sector Wide Approaches<sup>26</sup> being more inclined towards an enhanced use of country systems than the traditional project approach. Within the partner agencies the trend towards wider use of country systems is strongest in the MDBs. However, as harmonization progresses in the UN System, country systems will become more widely used there as well.

### ***b. Decentralization***

The effectiveness and efficiency of the GEF activity cycle is directly related to the degree of in-country support provided by its partner agencies to the local institutions and staff implementing projects. Thus it is important to note that the partner agencies of the GEF show very different degrees of decentralization, while decentralization processes are still ongoing in most of them.

The World Bank has made considerable progress in decentralization over the last five years. This has involved not only the placement of country directors in the field, but also the fielding of additional headquarters staff and decisionmaking authority<sup>27</sup>. On the other hand IFAD does not maintain any field presence. A review of FAO's decentralization process<sup>28</sup> carried out in 2001 showed that despite enhanced decentralization efforts, a

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<sup>24</sup> Country systems refers broadly to the country's legal and institutional framework, consisting of its national, sub-national, or sectoral implementing institutions and applicable laws, regulations, rules, and procedures.

<sup>25</sup> Budget Support is defined as a method of financing a partner country's budget through a transfer of resources from an external financing agency to the partner government's national treasury. The funds thus transferred are managed in accordance with the recipient's budgetary procedures.

<sup>26</sup> A sector-wide approach is a programme-based approach operating at the level of an entire sector.

<sup>27</sup> Toward Country-led development – a multi partner evaluation of the comprehensive development framework, World Bank, 2003

<sup>28</sup> Independent Evaluation of FAO's Decentralisation, 2001

number of unresolved issues remain, such as the lack of delegation of administrative authority to the field. A more recent review found that there were significant differences between regions and countries according to levels of development in the type of assistance being sought but there was widespread demand for upstream support from FAO for taking forwards national policies and strategies.<sup>29</sup> The evaluation also found that modalities of country coverage had not been adjusted in lines with needs and available resources which led to limited effectiveness.

There is an ongoing trend within the UN System whereby organizations are transferring more resources and more authority to the regional and sub-regional levels<sup>30</sup>.

In some cases efforts towards harmonization and interagency cooperation strengthen the decentralization process. The UN Resident Coordinators System is playing an important role in ensuring that also smaller agencies can sustain a reasonable level of field presence. For example, UNIDO and UNDP have entered into an agreement<sup>31</sup> through which UNIDO's field presence will be supported by UNDP's country offices. In a pilot phase of the agreement UNIDO Desks were installed in 13 countries. Through the implementation of this agreement private sector development and other industrial development issues will become a more prominent part of UNDAFs in the countries. An ongoing assessment of the pilot phase will identify challenges and opportunities for future expansion of this cooperation. The establishment of common premises shared by the UN organizations (the UN House) supports decentralization processes of individual agencies by creating synergies and building closer ties among United Nations staff and promote a more unified presence at country level in a cost-effective manner<sup>32</sup>.

Delegation of authority from Headquarters to the field is still the most challenging element of decentralization. While ExCom agencies of UNDG (UNDP, UNICEF, UNFPA, WFP) have made considerable progress in delegation of authority, in many other agencies this has not been the case<sup>33</sup>.

### *c. Use of country systems*

The concept of using existing country- or government systems instead of creating new structures for the delivery of technical cooperation has been evolving for the past three decades.

In the recent past, the use of country systems has become an emerging practice, mainly in the Multilateral Development Banks. There is growing evidence that the Poverty Reduction Strategy (PRS) approach is bringing about an improvement in the coordination of donor support and a re-alignment of individual donor support programs with the country's priorities. Studies by the Strategic Partnership with Africa and the OECD-DAC

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<sup>29</sup> Independent Evaluation of FAO's Decentralization, 2004. FAO website ([www.fao.org](http://www.fao.org))

<sup>30</sup> Effectiveness of the UN development system and its operational activities, Conference Room Paper, Economic and Social Council, 2004

<sup>31</sup> Cooperation agreement between UNIDO and UNDP, 2004

<sup>32</sup> Common Premises & UN House, UNDG website ([www.undg.org](http://www.undg.org))

<sup>33</sup> Some measures to improve overall performance of the United Nations System at the country level, JIU, 2005

of the alignment of budget support and sector programs with the PRS indicate some progress, but note that much more remains to be done.<sup>34</sup>

The use of country systems<sup>35</sup> is becoming a central pillar of the World Bank's operational reform agenda for improving and scaling up development effectiveness. The formulation of the policy was also an evolving process, which lasted for 30 months. It started with a discussion with the Committee on Development Effectiveness (CODE) in June 2002 in which Bank Management proposed the possibility of using country systems that are consistent with recognized good practice safeguard principles and that have a good track record of implementation. In February 2003, the use of country systems as appropriate was formally adopted in the Bank's audit policy. In September 2004, the Bank's Board discussed and endorsed a paper on issues arising from the use of country systems in environmental and social safeguards, financial management, and procurement.

With regard to the UN agencies not much evidence exists on the use of country systems, an exception being UNDP. For UNDP, over the last two decades, National Execution (NEX) has evolved as the main modality for the implementation of UNDP-assisted programs. Already in 1995 an evaluation of national execution concluded that NEX had become the way of the present, now comprising 75% of all UNDP projects, and is the wave of the future".<sup>36</sup> However, the relevance of the national execution mode of technical cooperation for the GEF partner agencies is directly related to the nature of the organization. While Funds and Programmes are more inclined to use national execution, specialized agencies, due to the technical nature of their expertise, tend to deliver technical assistance through their own systems.

### *i. Environmental and social safeguards*

This is the area where probably least progress has been made towards the use of country systems, although considerable efforts have been undertaken. Frequently the proposed use of government safeguards are perceived by local NGOs as weakening the protection of vulnerable groups<sup>37</sup>. In June 2004, 186 NGOs from 60 countries sent a letter to the World Bank protesting against the proposed weakening of Bank policies in the context of a consultation on the Bank's proposed policy on the enhanced use of country systems. However, in 2005 the Bank launched a two-year pilot phase, governed by a set of operational policies, in countries where national safeguards are assessed as being equivalent to the Bank's systems.

The process of harmonization of selected World Bank safeguard policies with the national systems was initiated in Morocco, Algeria, and Tunisia as stated in their respective Country Assistance Strategies. A pilot diagnostic exercise on the use of country systems for Environmental Assessments was carried out in the three countries.

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<sup>34</sup> IMF and the World Bank, 2005, Review of the Poverty Reduction Strategy Approach: Balancing Accountabilities and Scaling Up Results

<sup>35</sup> Country systems refers broadly to the country's legal and institutional framework, consisting of its national, sub-national, or sectoral implementing institutions and applicable laws, regulations, rules, and procedures.

<sup>36</sup> National Execution: Promises and Challenges, Office of Evaluation and Strategic Planning, UNDP, New York, 1995

<sup>37</sup> MDB Investment in India 2004-2005, Indian NGOs reject World Bank's use of Country Systems at Delhi "consultation", stage walk-out, Bank Information Centre, 2004

The exercise resulted in a series of recommendations for enhancing the use for country systems in the Maghreb countries. Major ongoing issues in this field are how to adequately assess the equivalency of government systems and capacity building and human resource development for local institutions.<sup>38</sup> Work in this area continues to be in progress, and the use of environmental management systems is at the testing stage to be reported in a year.<sup>39</sup>

ADB, AFD, JBIC, KfW and the World Bank have been working closely with the Government of Vietnam in harmonization of loan procedures, including environmental and social safeguard procedures. A study has provided a comprehensive comparison of the procedures of the 5 banks and the Government. An Action Plan, which indicates ways to address the gaps among the banks and the Government through the Ministry of Natural Resources and Environment, has been developed. A report<sup>40</sup> presents in detail the differences in the procedures and practices between the 5 Banks and between the banks and the Government.

## *ii. Financial management*

The use of financial management country systems is of special relevance in the context of the trend in international cooperation towards budget support. The MDB and OECD put forward a set of good practices on how donors can best deliver budget support in ways that maximize its developmental benefits while reinforcing partners' capacity to achieve aggregate fiscal discipline, strategic allocation of funds, value for money, and probity in the use of public monies – these are all key objectives of public financial management systems. The same is true for sector approaches. Operational guidance is provided on how to establish, at the sector level, partnerships between governments and donors that improve the effectiveness of development policies and broaden government ownership over public sector policy and allocation of resources<sup>41</sup>.

The MDBs and the OECD-DAC have been conducting technical work on good practices in financial management in separate but closely coordinated teams. As part of this, specific agreements (the OECD-DAC's "Good Practice Papers" and the MDBs "Frameworks for Collaboration") were reached on how to work together in the areas of financial management diagnostic work and financial reporting and auditing. The MDBs and the OECD-DAC members have asked the Public Sector Committee of the International Federation of Accountants to issue an accounting standard for development assistance- a broadly accepted global benchmark to which both donors and aid receiving governments can subscribe. This work is being undertaken collaboratively with input by partner countries, professional groups and the private sector.

Bank policies permit the use of country systems in financial management and in national competitive bidding procurement, and the use of such systems is increasing.<sup>42</sup> Among the

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<sup>38</sup> World Bank, country systems Pilots, 2005.

<sup>39</sup> Global Monitoring Report, 2006.

<sup>40</sup> Summary of Status of Harmonization of Environmental Safeguard Procedures and Practices in Viet Nam

<sup>41</sup> OECD-DAC: Reference Series: 2005. Public Financial Management: Good Practice Paper: volume 2

<sup>42</sup> Expanding the use of country systems in bank-supported operations: issues and proposals, Operations Policy and Country Services, World Bank, 2005



MDBs strengthening of fiduciary systems is an integral part of the development mission of MDBs. The Asian Development Bank and the African Development Bank will apply their technical assistance to enhance country systems and, with the World Bank test the use of country systems in various countries. The Inter American Development Bank sees reliance on country systems as a consequence of its work to assist borrowing countries enhance their effectiveness in the areas of procurement, public expenditure and financial management systems. The IADB is also working with the World Bank to develop a fiduciary capacity assessment and monitoring tool based on generally accepted practices and on baseline and performance indicators.<sup>43</sup>

### *iii. Procurement*

A study estimates that in the Africa Region, where public procurement totals about \$50 billion per year, an improvement in public procurement could generate savings of some 15 percent of GDP. This sum would equal or exceed the overseas development assistance-funded budget support to the entire Region<sup>44</sup>. However, the use of country systems harbors risks and involves considerable investments in the continuous assessment of equivalency and adequateness of country systems. Thus, agencies have been moving forward slowly through reviewing past experience and by setting up pilot programs. A review of the World Bank<sup>45</sup> analyzing problems associated with using country procurement systems, recommends a pilot phase covering 10 projects in different countries. Implementation of the pilot was planned to start in 2006.

At the project level, the Bank continues to improve procurement quality at entry by carrying out detailed preparatory work; helping to build implementing agency capacity; and, to ensure compliance, relying less on prior review of procurement activity and more on systematic, independent ex post reviews and audits of small contracts by outside firms. At the country level, the CPAR is used to assess procurement systems and develop action plans for improving them; over 90 countries are now covered by Country Procurement Assessment Reviews (CPARs). For the Bank and other donors, the CPAR is the principal tool used to assess public sector procurement systems.

Overall, in the field of procurement most progress has been made with National Competitive Bidding (NBC) procedures. Other areas, such as international competitive biddings or the international selection of consultants are less advanced<sup>46</sup>.

### *d. Decentralization and use of country systems in the GEF*

Decentralization is relevant to the GEF itself mainly in the context of the increased need for country focal point support, in particular in the context of the implementation of the Resource Allocation Framework (RAF).

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<sup>43</sup> Much of this section is taken from the Global Monitoring Report, 2006.

<sup>44</sup> Improving Aid Effectiveness, Draft OECD-DAC Overview Note, July 2004.

<sup>45</sup> Increasing the use of country systems in procurement, OPCS, World Bank, 2005

<sup>46</sup> Expanding the use of country systems in bank-supported operations: issues and proposals, Operations Policy and Country Services, World Bank, 2005

The Council has expanded support for GEF national focal point development and national capacity development so that countries can better address global environmental challenges and strengthen their capacities to work through the RAF approach. Two new initiatives – Country Support Program (CSP) for Focal Points and the GEF National Dialogue Initiative – will provide opportunities for stakeholders to seek clarification and provide feedback about the RAF.

The RAF approach will facilitate increased government-led strategy building, which could result in improved local ownership of GEF projects and better efficiency of the GEF cycle at the country level. Enhanced capacities of focal points and counterpart staff will be a key issue in this process. Despite this, no evidence has been found with regard to specific initiatives of the GEF towards decentralization and the use of country systems. However, the GEF is working towards enhanced capacities of focal points which is complementary to the agencies' decentralization efforts.

## **6. Agency simplification and harmonization**

### ***a. Overview, Trends and relevance to GEF***

Broadly speaking, harmonization efforts have been most active in two different areas. First, the activities related to linking international cooperation to national priorities and strategies (alignment) have been harmonized most actively among the UN agencies through different tools for joint analysis and programming<sup>47</sup>, mainly the United Nations Development Assistance Framework (UNDAF) and Common Country Assessment (CCA). Second, the Multilateral Development Banks have been making progress in the establishment of common guidelines and procedures related to design and implementation of cooperation activities (common environmental assessments, guidelines for small and medium scale infrastructure, joint preparation of Indigenous Peoples Policy Guidebook, etc.). For example, the ongoing harmonization effort of the heads of procurement (HOP) of various public international financial institutions (IFIs), including multilateral development banks (MDBs), has resulted over the last several years in significant progress towards harmonization of IFI-financed procurement.<sup>48</sup>

Overall the harmonization process is now firmly rooted in these organizations and has a direct impact on organizational strategies with joint undertakings still at an incipient stage but slowly becoming good practice. The GEF however, has been largely absent in this process. This is despite the GEF's important role as a hub in the field of environmental cooperation and the strong influence it has on all partner agencies.

Given the strong trend towards collaboration between the different actors in the field of international cooperation, simplification<sup>49</sup> measures are nowadays often directly related and built to enhance harmonization. It is instructive for the GEF to observe that

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<sup>47</sup> see also UNDG website: [www.undg.org](http://www.undg.org)

<sup>48</sup> Activities of the MDB Working Groups on Harmonization

<sup>49</sup> Simplification in the context of this study refers to initiatives undertaken by individual agencies in order to simplify and streamline processes resulting in lower transaction cost and shorter project cycles.

harmonization of procedures within the network of multilateral development institutions (in particular through UNDG) is seen as a prerequisite for improved effectiveness and efficiency. As part of a similar network of institutions the GEF's progress towards improved effectiveness and efficiency depends to a large extent on the developments within the community of international organizations.

### ***b. Harmonization***

Most of the harmonization efforts have taken place within two groups of agencies: the UN programs, funds and agencies on the one side and the MDBs on the other. However, little has been done so far to bring the two groups closer to each other. Two examples of attempts to change this are the UN-World Bank learning group on PRSPs and the discussion on linking the Comprehensive Development Framework (CDF) with the UNDAF process<sup>50</sup>.

The Monterrey Consensus, and the Rome and Paris Declarations have led to systematic formulation and implementation of Harmonization Action Plans by donors and client countries alike. For example, the Asian Development Bank developed detailed Harmonization Action Plans at the corporate and country level. The Action Plan provides information on actions that are being formulated in all of the MDB technical working group areas including procurement, financial management, environment, Managing for Development Results, Monitoring of the Paris Declaration, Legal, Infrastructure, Capacity Building, and Disbursement<sup>51</sup>.

Within the initiatives covered by this review, some of the most visible areas where harmonization has made progress are joint programming (UN agencies); environmental safeguards, financial management and procurement (MDBs); and evaluation (UNEG). Examples of ongoing developments and achievements in these areas are provided below.

### ***i. Joint Programming and the MDGs***

The last decade has seen a series of initiatives that led to a more harmonized way of goal setting and programming. The Millennium Development Goals (MDGs) commit the international community to an expanded vision of development, promoting human development as the key to sustaining social and economic progress in all countries, and recognizing the importance of creating a global partnership for development. The goals have been commonly accepted as a framework for measuring development progress, thus facilitating collaborative behavior among agencies. However, their endorsement also entails risks and challenges—notably the risk of non-attainment and the challenge of localizing the MDGs to country conditions.<sup>52</sup>

The UN Development Group (UNDG) is an instrument of UN Reform created by the Secretary General in 1997 to improve the effectiveness of the UN system in development cooperation at the country level. UNDG has played an important role in the process of

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<sup>50</sup> UN/World Bank Learning Group on CDF/PRSP/CCA/UNDAF, Summary of Discussions, September 2001, [www.worldbank.org](http://www.worldbank.org)

<sup>51</sup> Aid Harmonization and Alignment Action Plan, ADB, August 2005

<sup>52</sup> 2002 Review of Development Effectiveness, World Bank Operations Evaluation Department, 2003

harmonization in the UN System at the country level, by strengthening their strategic role in areas such as donor coordination mechanisms, preparation of national poverty reduction strategies, strategic involvement of country teams in the implementation of Sector Wide Approaches, capacity enhancement and monitoring and evaluation processes<sup>53</sup>.

The introduction of the Common Country Assessments (CCA) and the UN Development Assistance Framework (UNDAF) in a program country aims at bringing all UN agencies together. It can be considered the most advanced element of the country level harmonization processes. A recent review of 14 joint programs in different countries revealed that the effectiveness of the joint programming modality in some areas is below expectations. While it recognizes that government participation and ownership has increased, the UN's influence and reach are widened, duplicative activities and transaction costs for governments have decreased, the performance of joint programs in leveraging additional resources and the exploitation of the UN's partnership potential remain problematic<sup>54</sup>. The UNDG has adopted an action plan for the implementation of the Paris Declaration commitments.

Further steps envisaged by the UNDG with regard to simplification and harmonization of UN rules and procedures include a number of measures geared towards the streamlining of the country presence of the UN system, e.g. hosting arrangements, increased use of shared common support services, a joint office model, new cash transfer procedures and training for UN-Country Teams.<sup>55</sup>

To assist country officials and donors in Africa, the African Development Bank, in a joint effort together with the WB and UNDP and in collaboration with the OECD DAC and its members, has proposed a series of regional workshops – starting with one for Eastern and Southern African Countries. These workshops aim at launching development of a community of practice in Africa around harmonization, alignment, and managing for results.<sup>56</sup>

IFAD<sup>57</sup> has taken steps to integrate harmonization standards in procurement and financial management, and identify ways to amend policies as appropriate. IFAD also participates in the OECD DAC initiatives on Harmonization, and works to integrate its processes with the UNDAF and PRSP frameworks of the international development community.

The World Bank introduced in 2000 the Comprehensive Development Framework (CDF), which is a process based on the principles of stronger country ownership of development policies, alignment of external partners' assistance, harmonization of procedures, managing for results and mutual accountability, linked to the Poverty Reduction Strategy process.<sup>58</sup> Many countries that have been following the PRS process the longest have achieved relatively more clarity on their long-term development objectives and strategies to achieve them. They have achieved deeper country ownership

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<sup>53</sup> UNDG website [www.undg.org](http://www.undg.org)

<sup>54</sup> Enhancing the effectiveness and efficiency of joint programs, lessons learned from a UNDG Review, 2006

<sup>55</sup> UNDG website, January 2005.

<sup>56</sup> Concept note on Making Aid More Effective, Implementing the Paris Declaration on Aid Effectiveness, Progress, Challenges and Opportunities, AfDB/UNDP/World Bank, November, 2005.

<sup>57</sup> IFAD website, July, 2006.

<sup>58</sup> The Comprehensive Development Framework, [www.worldbank.org](http://www.worldbank.org)

of a unified national development vision and strategy. This in turn has led to more effective government leadership over development assistance coordination which has resulted in increased alignment of external assistance with the national development strategy and increasingly coordinated efforts to improve country systems toward harmonization.<sup>59</sup> An evaluation of the CDF concludes that progress in implementing the far-reaching changes posited by the CDF has been uneven, with the broadest progress occurring in countries that have been applying one or more of the CDF principles for a number of years.<sup>60</sup>

### *ii. Harmonization of Environmental and Social Safeguards*

As part of the overall harmonization process, the Multilateral Financial Institutions Working Group on Environment (MFI-WGE), has prepared a common framework for Environmental Impact Assessment.<sup>61</sup> The Common Framework is intended to simplify and facilitate donor coordination, promote consistent communication with borrowers, encourage collaborative capacity building, reduce transaction costs for borrowers, and increase development effectiveness. In 2005 the MFI-WGE produced a good practice note<sup>62</sup> on Environmental Assessment which provides additional information on common approaches.

### **iii. Harmonization of Financial Management and Procurement**

Bilateral donors and most of the MDBs reached agreement on harmonized processes for financial reporting and auditing and financial management diagnostic work. The agreements were endorsed at the High Level Forum on Harmonization, held in Rome in February 2003, and the World Bank continues to work with all the other MDBs to agree region-specific implementation plans for financial management harmonization.

Representatives of multilateral development banks (the Harmonization Working Group) have been working together to produce "harmonized" bidding and proposal documents. In October 2002, the MDBs heads of procurement agreed on a harmonized pre-qualification document for civil works contracts. The working group - consisting of 10 international financial institutions (IFIs) - has made substantial progress toward harmonizing IFI-financed procurement. For example, agreement has been reached on harmonized master bidding documents for procurement of goods; pre-qualification of civil works; and requests for proposals for consulting services. A draft harmonized document for Civil Works was approved by the group in May 2004 and is pending understandings on copyrights. An electronic government procurement website ([www.mdb-egp.org](http://www.mdb-egp.org)) was launched in November 2004.

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<sup>59</sup> Enabling Country Capacity to Achieve Results, 2005 CDG progress report, World Bank OPCS

<sup>60</sup> Toward Country-led development – a multi partner evaluation of the comprehensive development framework, World Bank, 2003

<sup>61</sup> A Common Framework: Converging Requirements of Multilateral Financial Institutions, Environmental Impact Assessment (EIA), [www1.worldbank.org/harmonization/](http://www1.worldbank.org/harmonization/)

<sup>62</sup> A Common Framework for Environmental Assessment – A Good Practice Note, 2005, [www.aidharmonization.org](http://www.aidharmonization.org)

To strengthen core systems by which public funds are disbursed and services delivered and to address the specific procurement aspects of this broader problem, the Joint OECD/DAC-World Bank Procurement Round Table Initiative was established in 2002. Its aim is to find reliable and sustainable ways to enhance the functioning of public procurement systems.

The third joint roundtable in Johannesburg 2004 confirmed the participants' commitment to use the results of the Round Table process by adopting the Johannesburg Declaration on steps to develop effective procurement systems<sup>63</sup>. The Johannesburg Declaration outlines an approach that will contribute to advancing the harmonization and alignment agenda in the procurement area by making it easier for donors to accept greater use of strengthened country systems in their operations and harmonize interim arrangements in cases where such systems have not yet reached internationally accepted baseline levels.

In 2005 a OECD/DAC reference document for harmonized and strengthened procurement practices was published together with the World Bank.<sup>64</sup>

#### **iv. Evaluation**

Considerable progress has been made in the harmonization of the evaluation function. The United Nations Evaluation Group (UNEG) has established common Norms and Standards for evaluations in the UN System. It is envisaged that each agency should adapt their evaluation functions according to the new Norms and Standards. Ongoing work of UNEG addresses issues like quality of evaluation (including peer reviews, evaluation criteria, etc.), evaluation capacity development, the interrelations between evaluation and RBM and the conduction of joint country-level evaluations.

The Multilateral Development Banks' Evaluation Cooperation Group (ECG) has elaborated good practice standards and the DAC Evaluation Network is measuring progress on the Paris declaration<sup>65</sup>.

#### **c. Simplification**

The **World Bank** has introduced a simplification initiative in 2002 covering five broad categories of measures: policies and processes, project documentation, resources and incentives, fiduciary and safeguard requirements, and lending products.

As part of the drive to simplify policies and processes for the benefit of clients, the World Bank President's office created an Ideas Fund for Simplification in 2003. Since that time, 19 Bank teams of staff have received awards totaling \$570,000. Examples for specific achievements in simplification include:

- reducing the processing time for "simple" or "repeater" projects from 24 to 12 months;

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<sup>63</sup> A Framework for Developing Effective Procurement Systems in Developing Countries: The Johannesburg Declaration, 2004, [www.oecd.org](http://www.oecd.org)

<sup>64</sup> Harmonizing Donor Practices for Effective Aid Delivery, Volume 3: Strengthening Procurement Practices in Developing Countries, OECD/DAC, 2005

<sup>65</sup> Independent Evaluation Group, World Bank: 2006 Annual Report on Operations Evaluation

- establishing a resolution facility in OPCS--to address protracted delays;
- working toward a single policy framework for investment lending (currently seven IL instruments are governed by 55 policies);
- lengthy Project Concept Document is to be reduced to a 3-5 page note and making it more outcome focused;
- the Project Appraisal Document is to be reduced to a 10-15 page document (from 50-100 pages)--with technical details going into annexes;
- emphasis on full funding of tasks--especially project preparation and supervision; more training/support for inexperienced task team leaders;
- more emphasis on borrower capacity--less Bank "policing" of individual transactions;
- electronic monitoring of internal clearances--to identify bottlenecks and reduce delays.

Following up on the guidance on streamlined procedures for fiduciary and safeguard reviews and clearances issued in October 2003, Bank management has helped each region strengthen its processes and capacities. In addition, the Bank is working to improve the clarity and consistency of safeguard policies and strengthen supervision.

Simplification and modernization of the Bank's legal agreements<sup>66</sup> have also been carried out in order to contribute to the overall modernization and simplification of the Bank's procedures in a manner that promotes the objectives of the Paris Declaration. These include simplification of all legal documents,(18 products in all), and rolling out simplified clearance processes.

The UNDG Program Group is working on the simplification of the common UN country programming process. With regard to program formulation and planning, the UNDG Program Group endorsed the replacement of the current UNDAF with its Results Matrix, and the agency-specific Country Program Documents (CPDs) and Country Program Action Plans (CPAPs) by a single consolidated program document<sup>67</sup>. This proposal for radical simplification was endorsed by the UNDG Program Group for approval by all the UNDG members in early 2006. As the greatest impact is expected to be felt by the ExCom-agencies (UNDP, WFP, UNFPA, UNICEF) that are mandated to submit country programs to their Executive Boards, it is important that the ExCom Principals have an early opportunity to confirm this direction, so that the recommendation can be introduced in those countries that would start developing an UNDAF in 2006 towards submission of country programs in 2007.

FAO introduced simplification of several procedures based on a review<sup>68</sup> of the project cycle of its Technical Cooperation Projects (TCP), which include the establishment of timeframes for the processing of all TCP requests; the simplification of procedures for the revision of TCP projects and greater delegation of the authority for approving budget revisions; increased flexibility in the use of TCP advance allocations for field assessment and formulation missions; a mechanism for regular analysis of project delivery status,

<sup>66</sup> Simplification and Modernization of IBRD and IDA Model Legal Agreements: April, 2005, World Bank.

<sup>67</sup> UNDG: Common UN Country Programme Preparation Process: Proposal for radical simplification, 2005 (UNDG website)

<sup>68</sup> FAO Programme Committee: Policy and Operational Framework of the Technical Cooperation Programme (TCP): Findings of the Internal Consultation, 2005 (FAO website)

based on the Field Program Management Information System (FPMIS); the development of a Project Formulation Tool Kit, for providing on-line guidance for the formulation of TCP projects in a number of technical fields and the organization of a series of workshops and training activities in HQ, Regional and Sub-regional Offices on the TCP and project management procedures. The report stated that a general improvement both in the processing of requests for TCP assistance and in the delivery of approved projects has been reported following the introduction of these measures.

The main instrument governing the cycle and modalities of UNIDO's technical cooperation in the form of projects or integrated programmes, the "Guidelines for Technical Cooperation" was significantly streamlined in 2005 and is currently being fine-tuned based on the first experiences with the new guidelines. Major issues addressed in the revision are: a single reporting format that can be used for monitoring and self evaluation purposes and satisfies the information demands of all reporting clients (management, donors, evaluation), a simplified programming tool for integrated (country) programmes, streamlined formats for project documents and a clearer description of the roles of different internal and external stakeholders of UNIDO projects along the project cycle.

Outside the network of GEF partners, the ITU has introduced in 2001 the Alternative Approval Process (AAP)<sup>69</sup>, which is a fast-track approval procedure for technical standards that allows for a standard that does not have direct policy or regulatory implications to be approved in as little as eight weeks. The AAP was launched in January 2001 and since then, over 1000 standards have been approved with this process.

The term "adaptive management" has been used by the GEF to describe flexible ways of implementing projects, adapting them to changed circumstances that are likely to influence the degree to which outcomes and objectives are achieved. In this context the German Gesellschaft fuer Technische Zusammenarbeit (GTZ) has entered into a new performance contract with the donor Ministry under which GTZ assumes joint responsibility with the national partner to achieve outcomes. In turn, implementation is made significantly more flexible: the project contract specifies budget, outcomes, and expected impact, but neither activities nor outputs. This flexibility requires continuous results-oriented adjustments of activities and outputs and the collection and use of real-time evaluation information for decision-making. This is done using a computer supported evaluation tool ("e-Val")<sup>70</sup>.

#### ***d. Harmonization and Simplification in the GEF***

The GEF Council carried out preliminary discussions on simplification issues at the GEF as early as 2000 in the context of responding to evaluations carried out by the Evaluation Office. Discussions centered on the need to simplify and streamline project preparation and approval processes, and work towards an enhanced responsiveness to client countries. These discussions were further repeated in Council meetings in 2003, and 2004. Discussions on simplification were also carried out briefly at the Inter Agency

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<sup>69</sup> SERIES A: ORGANIZATION OF THE WORK OF ITU-T Alternative approval process for new and revised ITU-T Recommendations, ITU-T Recommendation A.8, 2004 (ITU website)

<sup>70</sup> Independent Evaluation Group, World Bank: 2006 Annual Report on Operations Evaluation



Operations Coordination and Consultation Meetings organized by the GEF Secretariat and an Inter Agency Operations Task Force was set up. At the meeting in June 2004<sup>71</sup>, discussions on streamlining the project cycle considered various options. The World Bank stated that in its effort to streamline the project cycle, the World Bank had pushed strongly for an average elapsed time of 12 months from project concept initiation to submission to the Board. However, in the current situation, it was next to impossible for World Bank GEF projects to meet this timeframe from concept/pipeline entry to CEO endorsement, given current GEF processing steps, review periods and timelines.

Details and options for project cycle streamlining modalities, and processes followed by some of the partner organisations, namely Asian Development Bank, African Development Bank, and Inter American Development Bank, were collected and further discussed by the Task Force. UNDP also suggested that the group look at coordination of GEF activities at the country level and in this connection to ensure that such activities would be systematically reflected in mechanisms such as the Common Country Assessment (CCA) and the UNDAF. It was further suggested that Implementing Agencies could take the lead on developing programmatic approaches at the country level with such integration and general mainstreaming in mind.

However, while the development community was undertaking concrete measures for simplification and harmonization arrangements, the GEF, with few exceptions (e.g. recent strengthening of the independent evaluation function of the GEF), had not considered these changes, in a concrete manner in the context of the GEF project cycle. Furthermore, the inter-agency coordination efforts of the GEF fail to draw on the experience of the specialized executing agencies (UNIDO, IFAD, FAO) in terms of simplification and harmonization.

## **7. Related Initiatives of the GEF**

As indicated at the outset, the initiatives, trends and developments described above are relevant to the GEF and its partner agencies. The GEF itself has been active in a number of initiatives designed to improve effectiveness and efficiency. While simplification of processes has been on the GEF's agenda for some time, harmonization and alignment have not been prominent features. Some of the initiatives, especially RBM and performance based allocation through the RAF, are in line with ongoing international trends.

Resource Allocation Framework (RAF): In September 2005, the Global Environment Facility (GEF) Council adopted the Resource Allocation Framework (RAF), a new system for allocating GEF resources to recipient countries to increase the impact of GEF funding on the global environment. The RAF allocates resources to countries based on each country's potential to generate global environmental benefits and its capacity, policies and practices to successfully implement GEF projects. As such, the RAF builds on GEF's existing country-driven approach and partnerships with Implementing and Executing Agencies, and provides countries with increased predictability in the allocation

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<sup>71</sup> IOC meeting Notes as shared by GEF SEC, June 2004.

of GEF funds. The RAF will be introduced for two focal areas (climate change and biodiversity) and will be evaluated after the first two years.

Results Based Management: RBM at the GEF has mainly two dimensions. First, the introduction of a complete results management framework including, inter alia, the development of indicators at the project level and adequate management information systems as well as reporting on results in the annual performance review and, second, a performance based allocation systems, the RAF (Resource Allocation Framework). Both systems are work in progress (see also chapter 4.e.).

GEF Secretariat, Operations Manual: August, 2005.(Working Draft).The GEF Secretariat has formulated a draft Operations Manual to provide basic knowledge about the mission of the GEF, and its policies and procedures in carrying out its mission. Part I of the manual provides the background of the GEF structure, its principles, strategies and policies that provide guidance in the implementation of the projects. Part II provides the detailed procedures and processes in undertaking the projects, the approval processes, and documentation needed in each stage of the project cycle. A working draft was produced in August, 2005, and is yet to be finalized or shared publicly. It continues to be work in progress.

Planned Review of the Effectiveness and Efficiency of Delivering GEF Resources through Umbrella Projects. In the summer of 2005, GEFSEC planned a review of Umbrella projects. The Terms of Reference and consultant were identified, for the report to be submitted to the November 2005 Council meeting. The proposed review aimed to examine whether the umbrella projects were contributing to reducing the amount of time it takes to deliver resources for project implementation at the country level, provide savings in Implementing/Executing Agencies fees, and providing more agility to Implementing/Executing Agencies to respond to individual country needs. The Review has not yet commenced.

Knowledge management (KM) has been on the GEF agenda for several years, without a coherent and common GEF concept and vision for KM. The OPS3 found that “although there are some informal subparts of a system for learning lessons as identified above, OPS3 was not able to identify any systematic, comprehensive, GEF-wide approach to ensuring that lessons learned are captured and disseminated properly throughout the network. Moreover, there seems to be broad consensus at every level of the GEF partnership that lessons learned are not being identified, collected, and utilized in any cross-network, integrated way.” An interagency brainstorming workshop in January 2006 produced a draft issues paper that provides a ‘business case’ for developing a common KM system for the GEF, and identified a number of concrete actions to be taken over the next 6 – 12 months.