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Agenda Item 9

EVALUATION OF THE GEF ACTIVITY CYCLE AND MODALITIES

JOINT EVALUATION OF THE GEF EVALUATION OFFICE AND THE EVALUATION OFFICES OF THE IMPLEMENTING AND EXECUTING AGENCIES OF THE GEF

(Prepared by the GEF Evaluation Office)

Recommended Council Decision

The Council, having reviewed document GEF/ME/C.30/6, *Evaluation of the GEF Activity Cycle and Modalities* and the management response (GEF/ME/C.30/7) takes note of the conclusions of the evaluation that:

(a) the GEF activity cycle is not effective, nor efficient, and that the situation has grown worse over time; nor is it cost-effective;

(b) GEF modalities have not made full use of trends towards new forms of collaboration that serve to foster ownership and promote flexibility, efficiency and results.

The Council agrees with the management response that no gains would be achieving by streamlining the current project cycle at the margins. Therefore, the Council requests the Secretariat, in consultation with all the GEF entities, to present for Council consideration in June 2007 one or more options for a new project cycle and associated business processes, with the objective of processing a proposal from identification to start of implementation in less than 22 months. This would include the following decisions on the recommendations of the evaluation:

(a) ensure quality through greater emphasis on results-based management during implementation with a corresponding reduction of detailed information that is currently required in the formulation and appraisal stages of the cycle.

(b) ensure that the project identification phase is focused on establishing project eligibility, resource availability and country endorsement;

(c) the Work Program as presented to Council should move towards the strategic level;

(d) ensure endorsement by the CEO of fully documented project proposals on a rolling basis.

The Council requests the GEF Evaluation Office to report through the Management Action Record on the follow-up to this decision.

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EXECUTIVE SUMMARY

1. The **objective** of this evaluation has been to help improve the effectiveness, efficiency and cost-effectiveness of GEF operations, especially the activity cycle which is widely regarded as complex, long and costly. Such problems have arisen largely because GEF policies, requirements and decision points have been loaded on top of the standard project cycles of each of the Implementing and Executing Agencies. Although the need to streamline and simplify the cycle has been highlighted periodically since soon after the GEF began, repeated streamlining efforts have so far had limited impact.

2. The evaluation **methodology** included reviews of key documents, partner and stakeholder interviews, a stakeholder survey, and exploratory studies within selected partner agencies of (i) harmonization and simplification opportunities and (ii) alternative delivery modalities. Field work was undertaken in 17 countries. Existing information systems were unable to provide reliable data on the time projects spent moving through different phases of the cycle, and the evaluation therefore designed and assembled a database for the full universe of GEF projects and proposals (1,926) with the milestone dates of GEF decision points in the cycle. The data have been grouped according to the Replenishment period of approved projects.

3. This evaluation has been conducted **jointly** by evaluation offices of the Implementing and Executing Agencies, supported by the GEF coordinating units of these agencies as well as the GEF Secretariat. The Council allocation of US$ 150,000 for this evaluation was matched by generous contributions in kind, in contracts and in funding of the partners in the evaluation, which enabled a considerable deeper scope than anticipated. Special mention should be made of the active involvement of the evaluation units of ADB, UNEP, UNIDO, UNDP and the World Bank through field visits and specific technical work. The evaluation has relied heavily on full agreement between partners through a discussion of methodology and findings in a series of workshops. A workshop with all key stakeholders in New York City in September 2006 provided input to possible solutions and comments on the draft report.

4. The findings are strongly **interlinked**. It is often unclear what is cause and what is effect. Is the cycle not effective because it is not efficient? Or is it not efficient because it is not effective? In other words: are delays caused by the inability of the system to take timely decisions, or is the system unable to take timely decisions because of the delays? 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? If one cause should be singled out, the evaluation finds that **disclosure of information and transparency in the GEF has been uneven** both to management and to stakeholders. This has been noted in many other evaluations and in OPS3 – for the activity cycle it has meant that no reliable overview existed of what was actually happening and what this meant for the efficiency and effectiveness of the cycle. However, rather than going into difficult debates about ultimate causes, the evaluation presents the picture of the cycle as it was on the closing date for the evaluation data on the first of January 2006.

5. The evaluation reached the following **conclusions**:

   (a) The GEF activity cycle is not effective and the situation has grown worse

(b) The GEF activity cycle is not efficient and the situation has grown worse

(c) The GEF activity cycle is not cost-effective

(d) The GEF modalities have not made full use of the trends in its Agencies and partner countries towards new forms of collaboration, fostering ownership and promoting flexibility, efficiency and results.

6. The GEF is not **effective** in leading projects through the full activity cycle in a timely manner. As a result, the proportion of new ideas in each GEF Replenishment period has decreased, with a backlog of older project proposals in the pipeline.

7. The evaluation finds that the average **length** of the activity cycle – the time taken for a project to be identified, prepared, approved and launched – increased for projects approved during each of the last three GEF Replenishment periods. The main growth in elapsed time is found *before* project approval, for concept review, formulation and appraisal. Delays in processing GEF projects are primarily due to structural and institutional constraints related to GEF complexity, including poor connections between the time-bound GEF decision points and the Agency cycles, and additional steps and procedural requirements. Elapsed time is also affected by project-specific circumstances and the Agency project cycles, the nature of the GEF projects and local circumstances, but these cannot consistently account for the overall increase in elapsed time.

8. Given the relatively long GEF cycle, the evaluation considered the possibility that longer preparation times were resulting in higher-quality 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 means that the additional time proposals spend going through the GEF activity cycle does not lead to more successful projects. Furthermore, the GEF internal **cost-effectiveness** is decreasing, since the cycle now takes more time, money and effort than it used to, with lower effectiveness.

9. The most significant GEF **modalities** are full-size and medium-size projects, with associated Project Development Facilities (PDF). The GEF has seen a proliferation of new types of modalities, which is linked to the inability of the regular activity cycle to respond efficiently to different needs. There is a need for greater clarity by the GEF in terms, definitions, application and policies regarding different types of projects and modalities. There is considerable demand from countries for a long term vision and programming for the GEF, including for (a) programmatic frameworks, (b) umbrella projects and (c) tranched and phased projects. The evaluation finds that these are useful tools that should be pursued in a more systematic and coherent manner.

10. The cycle management of the GEF is lagging behind international **good practice**. 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. Fortunately, recent developments lay a foundation for a new way of doing business, including increased awareness of environmental issues, capacity within the GEF partnership in addressing GEF concerns and

managing projects, emphasis on oversight and national ownership, and increased co-funding that changes the leading role of the GEF.

11. The evaluation provides the following overarching **recommendation**:

(a) no easy fix will improve the activity cycle – what is needed is a radical re-drawing of the cycle, maintaining the quality and attributes for GEF funding;

This redrawing of the cycle should include the following specific recommendations:

(b) a shift towards Results Based Management will ensure quality during implementation and enable a dramatic reduction of detailed "blue print" information that is currently required in the formulation and appraisal stages of the activity cycle;

(c) the identification phase should be kept to a minimum of establishing project eligibility, whether resources are in principle available and whether the concept is endorsed by recipient countries;

(d) the Work Program as presented to Council should move towards the strategic level; and

(e) fully documented project proposals should be endorsed by the CEO on a rolling basis.

12. This reflects a re-think of the cycle with the overarching goal of keeping it short and increasing transparency, predictability as well as decreasing transaction costs, as envisaged in the GEF Instrument. In addition, the evaluation also recommends closer observation of trends in international harmonization and simplification by the GEF **in future**, especially in the context of changing roles with the introduction of the Resource Allocation Framework. Of specific relevance to the cycle and modalities and the GEF innovative and catalytic role, the evaluation finds that that cost-effectiveness of project preparation funding requires further analysis, and that the GEF should examine the effectiveness of a country based pilot program that uses sector based approach to enable GEF to assess whether there are advantages to pursuing this approach in the future.

13. The full evaluation report containing the detailed analysis is published on the website of the GEF Evaluation Office and can be found at www.thegef.org (choose Evaluation Office, On-going Evaluations, and then Joint Evaluation of the GEF Activity Cycle). Technical papers for the evaluation will also be published on the website.

1. BACKGROUND

14. 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. This includes $5,537 million for 716 full-size projects (FSPs); $267million for 326 medium-size projects (MSPs); and $330 million to 821 approved Enabling Activities. Additionally, preparatory resources worth almost $90 million have been allocated to develop full- and medium size proposals that have not received approval yet.

15. From the outset, the GEF has operated with three Implementing Agencies (IAs): the World Bank, the UN Development Programme (UNDP) and the UN Environment Programme (UNEP). In 1999 the GEF Council gave seven other agencies direct access to GEF resources with the status of Executing Agencies (ExAs)[1]. In 2003 the GEF Council approved the current arrangement whereby those ExAs with direct access can submit proposals to the GEF Secretariat, while ExAs with indirect access can submit proposals only through one of the three IAs.

The GEF Activity Cycle and Modalities

16. The bulk of GEF support has so far been provided through projects, based on submissions of proposals from countries through the IAs and ExAs (hereafter called Agencies). The identification, preparation and implementation of GEF projects takes account of GEF criteria and policies, GEF and Agency policies and procedures, the GEF Scientific and Technical Advisory Panel (STAP), global environmental conventions, and national needs and priorities.

17. In practice, GEF requirements are superimposed on the standard project cycles of each of the Agencies. These cycles have five common phases: concept development, preparation; appraisal; approval and supervision; and completion and evaluation. In addition, projects will go through an approval process in recipient countries.

18. The most significant GEF modalities (i.e., vehicles for the disbursement of funds) are full-size and medium-size projects, with associated Project Development Facilities (PDF). Other modalities include enabling activities and variations such as the national capacity self-assessments, programmatic approaches, targeted research, umbrella projects, phased and tranched projects, as well as project variations funded by special funds.

19. 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, by the overall performance studies, by the GEF Council and by 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…". The proofs of underperformance presented to Council in many evaluations and other documents, were mainly partial, and partners therefore expressed a need to better understand the underlying causes. As a result, this evaluation was welcomed by all partners in the GEF to present the full overview. The idea for the evaluation came from an Executing Agency, and was subsequently funded as a special initiative by the GEF Council as well as supported by the GEF partner agencies as a joint effort.

2. SCOPE AND METHODOLOGY

20. The objective of this evaluation is to help improve the effectiveness, efficiency and cost-effectiveness of GEF operations. The evaluation aimed to (i) identify and analyze the strengths and weaknesses in the GEF activity cycle and modalities; (ii) identify the constraints that need to be addressed in order to improve the efficiency of GEF procedures, operations and systems; and (iii) make recommendations to contribute to simplifying GEF operations.

21. The evaluation has given particular attention to two areas of concern: first, the early phases of the activity cycle, from concept identification through preparation, appraisal and approval as far as project start-up; second, the full-size (FSP) and medium-size projects (MSP), which absorb most of the financial resources. The parties also agreed to focus in-depth analysis on projects approved in the GEF3 Replenishment period, closed projects from GEF2 and all jointly implemented projects, as these are most recent and relevant, with reliable data. The evaluation has also analyzed the impact on the cycle of the GEF's increase in scope and complexity over time, which generally corresponds to GEF Replenishment periods.

22. The evaluation methodology included reviews of key documents (including the policies and regulations of the GEF, the Agencies, as well as previous evaluations), partner and stakeholder interviews, a stakeholder survey, and exploratory studies within selected partner agencies of (i) harmonization and simplification opportunities and (ii) alternative delivery modalities. Field work was undertaken in 17 countries.

23. 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 on 1 January 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 available, pre-pipeline identification, PDFA Approval, Pipeline Entry or PDFB approval to project effectiveness (i.e., their launch).

24. The data concerning elapsed times, effectiveness of projects moving through the cycle, value added at the various stages, have been grouped according to the Replenishment period in which they were approved. This perspective is justified on two grounds: first of all, the cycle differs per replenishment period in steps, requirements and criteria. Secondly, each replenishment period has its own specific policy goals, within the framework of the overarching goals of the GEF as set by the Instrument. In other words: the Council and the CEO need to be able to see how old 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 Council and CEO than a perspective which would start from the "birth" of project ideas.

25. The evaluation considered the possibility that 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 team therefore used the application of GEF Operational Principles as a proxy for project quality.[2]

26. Led by the GEF Evaluation Office, this evaluation has been conducted jointly by evaluation offices of the Implementing and Executing Agencies, 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 in GEF cooperation and project development and implementation (see Council paper).

3. MAIN FINDINGS AND CONCLUSIONS

27. Before presenting the substance of the findings, 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 actors in the GEF. There is no scapegoat and no quick fix.

28. Considering the seriousness of the findings below on elapsed time and its negative effects, it may be surprising that action has not been taken previously to remedy the situation. The evaluation finds 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 to generate 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 in the process of being adequately addressed.

29. Based on the 2004 APR and the Country Portfolio Evaluation, the Council reiterated, in June 2006, its decision of June 2005 that “the transparency of the GEF project approval process should be increased” and requested the GEF Secretariat to reinforce its efforts to improve this transparency. The GEF Secretariat was also requested 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 include: (a) key GEF policies, strategies and criteria of programming, and (b) Project management tracking of project progress and status. Also, transparency on operational policies is missing, especially on GEF eligibility and procedures. For example, access to the GEF Operational Manual remains limited to the GEF Secretariat.

30. The findings are strongly interlinked. If the cycle is not effective in producing new projects, it is by definition inefficient for the projects that were dropped or cancelled 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 between the four areas of cycle effectiveness, efficiency, cost-effectiveness and modalities. There is no single key factor that emerges as the reason why the cycle is ineffective, inefficient, not cost-effective and producing projects that are not in line with the most modern modalities that the Implementing and Executing Agencies of the GEF employ. Rather, there are many mutually reinforcing factors that together add up to the cycle as it currently is. It is the sum of the parts that leads to serious concerns.

1. The GEF activity cycle is not effective and the situation has grown worse

31. 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.

32. **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 (**Chart 1** in the **Annex**).[3] This has implications for the age of the GEF portfolio. For example, 46% of the full-size project proposals that have entered the pipeline since 1992 have yet to begin, reflecting 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 1. Cumulative proposals and approvals per GEF Replenishment Period[4]

		GEF Pipeline				
GEF Replenishment Period		GEF-1	GEF-2	GEF-3	Totals	%
GEF-1	proposals	62			62	100%
(1995-98)	approvals	35			35	56%
GEF-2	proposals	27	271		298	100%
(1999-02)	approvals	16	105		121	41%
GEF-3	proposals	11	166	320	497	100%
(2003-06)	approvals	9	132	97	238	48%

33. The proposals that are presented for approval during a replenishment period are increasingly from an earlier period. **Table 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, in which period 166 projects dating from GEF-2 were still under consideration. Although a high number of new ideas were entered into the pipeline during GEF-3 (320 project proposals), the majority of approvals in this period (132) were dating from GEF-2. The approval rate of GEF-3 shows an improvement compared to GEF-2, from 41 % for GEF-2 to 48 % for GEF-3, but this is due to the high level of approvals in GEF-3 for GEF-2 proposals. A large number of projects (259) still await approval and could pre-determine the early approvals in GEF4, which would contain 2 left-over 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.

34. The activity cycle is becoming less and less effective in timely producing new ideas for implementation. **Table 2** shows that the proportion of new ideas in each replenishment period has decreased. Whereas in the GEF-1 period 56 % of approvals concerned new ideas (35 out of a total of 62 proposals), in the GEF-2 35 % concerned new ideas (105 out of a total of 298 proposals, and in GEF-3 the proportion of new versus all proposals has gone down to less than 20 % (97 out of 497). The proportion of new ideas approved versus new ideas proposed also decreases over time, from 56 % in GEF-1 (35 of 62) to 39 % in GEF-2 (105 of 271) to 30 % in GEF-3 (97 of 320). The GEF-3 percentages will improve slightly over time, but will not reach the level of GEF-2.

Table 2. Proportion of Proposals Approved within the same Replenishment Period

		Totals	%
GEF-1	proposals	62	100%
	approved in GEF-1	35	56%
GEF-2	proposals	298	100%
	approved in GEF-2	105	35%
GEF-3	proposals	497	100%
	approved in GEF-3	97	19%

35. The GEF is not effective in leading projects through the full activity cycle. After 16 years of GEF, 210 full-size-projects are recorded as complete, i.e. the **ratio of completed projects** is 16 % of all 1292 full-size project proposals. The completion rate for earlier GEF replenishment periods is, of course, higher (for example, 46% for GEF1 full-size-projects). While there are no established standards for completion rates of a portfolio, it implies that there remains a relatively limited pool of completed projects from which lessons learned can be generated and impact can be expected.

36. The evaluation finds that the average elapsed time during **implementation** is not a major cause of concern. For 191 closed GEF full-size-projects, the expected duration for implementation was 47 months (4 years), with an average overrun of 9.2 months. The implementation periods are, however, not commensurate with the preparatory phases. When considering the entire lifespan of the closed projects from Pipeline entry to actual closing, 43% of the projects' life span was spent in pre-implementation (that is, being prepared).

37. Not all projects in the cycle will finish. A total of 238 projects and proposals have been dropped, aborted or cancelled, i.e. the **ratio of rejected proposals is 18%** of the full-size-project proposals. Fifty full-size projects have been cancelled during implementation (3% of all proposals) for various project-specific and justifiable reasons In one sense, a certain proportion of dropped and cancelled 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. However, the evaluation finds that the length of the cycle stages until project start leaves GEF proposals more vulnerable to changing circumstances and priorities. For example, 288 of the project rejections, (79%) occurred *before* Pipeline entry, which seem higher than common practice. PDF resources worth almost $16 million were allocated to proposals that were subsequently dropped or aborted before approval.

38. The effectiveness of the cycle must also be considered in light of its underlying objectives that the cycle should be producing good projects. The GEF invests considerable effort and funds into the development of proposals, through PDF-A, B and C funding, 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.

39. What would a reasonable chance of implementation be? The fourth Replenishment policy recommendations accepted the possibility that 25 % of its projects would not perform satisfactory. However, it would seem reasonable that the norm for satisfactory outcomes could be translated into a similar norm for the activity cycle: 75 % of project proposals should lead to implementation. Currently, less than 40% of proposed projects have started implementation by January 2006. Future changes are uncertain given the new pipeline management mechanisms under GEF-4.

2. The GEF activity cycle is not efficient and the situation has grown worse

40. The evaluation finds that the average length of the activity cycle – the time taken for a project to be identified, prepared, approved and launched – increased for projects approved during each of the last three GEF Replenishment periods.

41. 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. Full-size projects 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 launch ("project effectiveness"). This already lengthy preparation time increased to 50 months for GEF-2 projects and to 66 months for GEF-3 projects (see **Table 3** and **Chart 2** in the Annex).

Table 3. PDFA to Effectiveness

GEF Phase	Months	Projects
GEF1	**36**	17
GEF2	**50**	15
GEF3	**66**	12

42. This trend is well-known, although not in quantified form, as per the Survey conducted for this evaluation, 74% of 289 stakeholders feel that the GEF cycle duration compares unfavorably with 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 Effectiveness', which rose from 37 months for GEF1 to 42 months for GEF3 (3.5 years) (see **Table 4).** 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. If, however, one assumes an optimistic figure of no more than five months for concept development without PDF-A (i.e. less than PDF-A time in GEF-1), the average time to Effectiveness in GEF-3 would rise from 42 to 47 months.

Table 4. Pipeline to Effectiveness

GEF Phase	Months	Projects
GEF1	**37**	36
GEF2	**39**	90
GEF3	**42**	110

43. However, many projects approved in GEF-3 have not yet completed the cycle to project effectiveness. The figures in Tables 3 and 4 above present the situation of elapsed time as of January 2006. When taking account of elapsed time until 1 October 2006 for 90 projects that are still waiting final approval for effectiveness, the updated estimates of average time from Pipeline Entry to Effectiveness rises to 44 months for projects approved during GEF-3 time (see **Table 5)**. This is a *low* estimate; many approved GEF-3 projects have not yet reached effectiveness, which means that time for them continues to pass. The times for GEF-1 and 2 however, remain constant. Again, including a concept development phase without PDF-A would bring the average time to Effectiveness in GEF-3 from 44 up to 49 months.

Table 5. Updated Average (estimate): Pipeline to Effectiveness

GEF Phase	Months	Projects
GEF1	**37**	36
GEF2	**39**	95
GEF3	**44**	200

44. In the case of **MSPs,** the total project cost of approved MSPs (up to $1 million) is roughly 8% of FSPs, while the preparation time averages 60% of that of FSPs. This implies that each dollar committed to an MSP requires 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 that they generate positive impacts.

45. The time for approved projects is 'path dependent', which means that it depends on the process by which each project gets to various decision points. The evaluation notes that elapsed time is exacerbated due to the shifting, and often increased, GEF-requirements over successive periods which cause 'delayed' proposals having to be further re-processed so that they may fit into new requirements. Delays in processing GEF projects are primarily due to structural and **institutional constraints** related to 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**. The GEF has seen a broadening of the network of diverse stakeholders; an increase of additional cycle phases, steps and requirements for projects; and growth in the number of modalities used by the GEF from one main modality to more than fourteen; the introduction of new substantive dimensions such as focal areas and strategic priorities; an a constant evolution of interpretation of definitions of key concepts.

- **Duplication and lack of synchronization** in the cycle stand out as the most important factor in 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 steps are *additional* and disruptive to the flow of the Agency regular cycles. The frontloading of GEF design requirements in the cycle compounds the disconnect, and is accompanied by repetition and efforts to fit these elements into design later.

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

- Project proponents have to navigate past a chain of **gatekeepers** in order to have their projects approved, with proposals frequently 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, with the proponents of proposals facing considerable uncertainty. Project appraisal is subject to delays due to multiple, and often duplicative, reviews necessitating extensive discussions and correspondence on eligibility, design and content of project document[56]. In spite of the rigorous requirements and increasing appraisals, projects still arrive at Council to be rejected or subject to additional reformulation.

- Elapsed time is also affected by **project-specific circumstances** and the Agency project cycles, the nature of the GEF projects and local circumstances, but these cannot consistently account for the overall increase in elapsed time. 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, with an average of 8 months. Any inefficiency in an Agency cycle step tends to balance out over time by compensating strengths in other steps of the cycle, so that no internal Agency cycle step is a consistent bottleneck. Similarly, there is no dominant pattern in linkages between elapsed time and complexity in focal area, regions, country circumstance or budget size.

- Compounding these factors, the evaluation team notes a significant **lack of trust** between 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 of the detailed policies and procedures put in place, together with the evident growth in capacity of the Agencies and GEFSEC over this period, duplicate reviewing and micromanagement still appear to take place throughout the system.

3. The GEF activity cycle is not cost-effective

46. Given the relatively long GEF activity cycle, the evaluation considered the possibility that longer preparation times were resulting in higher-quality projects, i.e. well-designed and highly successful. The evaluation scope did not entail a full cost-effectiveness analysis that compares relative expenditure versus outcomes associated with two or more courses of action.

47. **Longer preparation time has not resulted in better projects.** Are the delays and efforts for GEF projects justified and acceptable because projects are of corresponding high quality? 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 has two implications: (a) there is no validation that weak proposals take longer to formulate and cause delays; and (b) 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.

48. In comparison to quality dimensions for other 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 from the GEF World Bank unit on portfolio performance indicators for the World Bank's GEF program are generally at the same levels as for IBRD/IDA (see **Box**).

Box: WB portfolio performance indicators, FY 2006:

- Projects at risk: 12% for GEF and 14% Bank-wide.
- IEG ratings of satisfactory outcomes: 86% for closed GEF projects assessed between 2003 and 2006, and 82% Bank-wide.
- The likelihood of sustainability: 71% for closed GEF projects assessed between 2003 and 2006, and 85% for Bank-wide.

Source: GEF/World Bank

49. Furthermore, the GEF 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.

50. GEF projects continue to experience the same design and implementation challenges as other aid projects. For example, past PPRs and GEF Annual Performance Reports indicated several issues regarding project formulation, including over-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". The 2005 APR established that 58% of projects comply with the Council expectations on M&E arrangements at the point of CEO Endorsement. There are also examples of projects proposed for Work Program Entry which appear outside the expected technical area or comparative advantage of a particular Agency.

51. Qualitative assessments show that a considerable energy is spent on obtaining quality on paper but with limited added value in substantive terms. Such "paper evidence" includes the annex on Incremental Cost Analysis (ICA), reviewed by the ICA evaluation and the quest for cofinancing letters. The evaluation visited several project proponents who had obtained 22 or more letters – and still the projects were not approved. The field visits heard 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 (Laos, Senegal)", or of "ideas received are often completely out of place" (Slovakia, Egypt). A universal complaint is that the focus on correct GEF language calls for the use of external experts, by some called "GEF gurus", which represents a barrier to quality elements of national ownership and drivenness. A Mexican stakeholder expressed that "It seems that GEF projects …have to go back and forth to get the right words".

52. The cycle cost-effectiveness is further reduced by the fact that the 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 re-submission 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, 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 effectiveness.

53. 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 so far 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.

4. The GEF modalities have not made full use of the trends in its Agencies and partner countries towards new forms of collaboration, fostering ownership and promoting flexibility, efficiency and results.

54. 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. This growth is linked to the inability of the regular activity cycle to respond efficiently and flexibly to different needs. This has led to confusion among stakeholders, misunderstandings between partners, and concern of the Council. These concerns apply in particular to programmatic approaches, umbrella projects, the targeted portfolio approach, corporate programs, phased and tranched projects, country programs and programming frameworks, subprojects, partnership approaches, financial mechanisms and disbursement mechanisms. There is a need for greater clarity by the GEF in terms, definitions, application and policies regarding different types of projects and modalities.

55. There is considerable untapped demand from countries for a **long term vision** and programming for the GEF, 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: (a) programmatic frameworks, (b) umbrella projects and (c) tranched and phased projects. The evaluation finds that these are useful tools that should be pursued in a more systematic and coherent manner.

Lessons learned from Previous Efforts to Streamline and Simplify

56. 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. The CEO endorsement for MSPs has shortened the MSP cycle, which, however, still remains long compared to Agency cycles for similar and larger projects. Evaluations, most recently the 2005 OPS3 and the 2005 APR, continue to highlight concerns on the time 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 GEF does business.

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

4. RECOMMENDATIONS

Recommendation 1: No easy fix will improve the activity cycle – what is needed is a radical re-drawing of the cycle, maintaining the quality and attributes for GEF funding

58. The excessive length of the GEF activity cycle has left all stakeholders frustrated while eroding the credibility of the GEF 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. The cycle management of the GEF 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.

59. 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 to re-think the cycle with the overarching goal of keeping it short and increasing transparency, predictability as well as decreasing transaction costs. The GEF needs sufficient flexibility to address the changed context of international cooperation and to support global environmental benefits in a dynamic manner.

60. Fortunately, the GEF operational context that guided the 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 co-funding leads to a change of the GEF as the partner drawing attention to global environmental benefits, to the GEF as a relatively minor financer of the support, that no longer can insist, as one stakeholder expressed it, on "calling all the shots" for other partners. All these elements require a fundamentally different approach in the cycle.

61. The evaluation itself cannot redefine the activity cycle. However, it can formulate the principles which should guide this effort and it can propose a few key moments in a new cycle. The following principles can be applied under a banner of overall simplification:

a. **Consistency with the GEF Instrument**, section VII on operational modalities. There is a need to go back to the fundamental intentions behind GEF management, which has 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.

b. **Employing the comparative advantages** of the different parts of the GEF system, including the Council, the Secretariat, the recipient countries, the Agencies, STAP, and the 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 left gaps that need to be filled. The increasing complexity and growing portfolio call for an increased focus of the Council, as well as the GEF Secretariat, on strategy and policy, portfolio monitoring and program results verification. Since 1991, the awareness of environmental issues, capacity in addressing GEF concerns and managing projects have been on the rise within the GEF partnership. The evaluation has also identified strides in simplification of Agency systems for operations and identified that the Agencies have policies or requirements that are compatible with the main GEF Operational Principles. There is significant scope to utilize "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 fulfil their roles within an environment of trust, transparency and accountability.

c. **Working within the emerging Resource Allocation Framework**, with a corresponding deployment of resources in the activity cycle towards the project implementation phase; as recommended in OPS2, 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 is also 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 RAF and on project-by-project approval. The focus on results and country leadership is also a good opportunity for scale-up and replication of current programmatic approaches, based on lessons learned.

d. Establishing **performance benchmarks** for measuring efficiency and effectiveness of GEF operational policies and procedures, as well as agency score-cards 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; to provide consistent and comprehensive information that is available to all parties.

e. Ensuring a regular monitoring and **clean-up** of proposals in the activity cycle which will make timely decisions to discontinue proposals that are in danger of obstructing the pipeline: forever in re-development because additional formulation or information is sought, or sidelined because the circumstances are not right to move forward, or good ideas which turn out to be very difficult to operationalize. A regular cleaning up of the proposals in the cycle will lead to increased ease of flow and quicker decisions on projects that are well designed. Conversely, the GEF Secretariat or others would not ask for modifications on proposals more than once so as to avoid causing elapsed time.

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

62. When applying these principles, the following recommendations identify elements that would allow for a complete restructuring of the activity cycle and modalities.

Recommendation 2: a shift towards Results Based Management will ensure quality during implementation and enable a dramatic reduction of detailed "blue print" information that is currently required in the formulation and appraisal stages of the activity cycle

63. The GEF should deepen its move towards Results Based Management (RBM) that started by its introduction of the Resource Allocation Framework (RAF), harmonization of the evaluation function, and the ongoing development of a framework for portfolio monitoring. In particular, development effectiveness should be pursued (a) directly, for tasks directly relevant to the GEF Secretariat, by simplifying the framework and the steps of the GEF activity cycle; and (b) 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 introducing results indicators and portfolio monitoring, the GEF is well positioned to move to the next level of RBM and thereby streamlining the cycle, through three main pillars:

- A comprehensive **results-based management framework** for the GEF to be implemented in GEF-4 which will incorporate monitoring and reporting at three levels: corporate, programmatic (focal area) and projects. Delays in project start and 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 towards outcomes.

- The application of the **Monitoring and Evaluation** Policy and the system of performance measurement provided by the independent GEF Evaluation Office, with support of the Agency evaluation units. In particular, this system now provides for systematic conduct and assessment of project evaluations, as well as impact evaluations, country portfolio evaluations and the 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 co-financing mobilized and impact.

- The development of the new **Management Information System** approved at the November 2005 Council. From the cycle perspective, a new data system can be simple; but it needs discipline and consistency with established business practice. In particular, it is indispensable to track the exact progress of a project through the cycle. It is now time that the GEF takes 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 website. Although still a work in progress, the Joint Evaluation data base 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.

64. In turn, the **GEF requirements for project design** and content can be revisited and drastically simplified. Rather than mechanically following detailed design and reporting requirements, partners will be expected to be more closely involved in strategic choice of M&E mechanisms; adaptive management; reporting on GEF concerns, and follow-up and learning. In particular, the evaluation has identified design elements that already form part of the Agencies' and government's regular project design process: incorporation of lessons learnt, 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; as well as analysis of likely sustainability and risks. This would allow the GEF projects to benefit from the capacities of the Agencies and national project proponents to develop regular non-GEF projects with similar quality at much faster process.

Recommendation 3: The identification phase should be kept to a minimum of establishing project eligibility, whether resources are in principle available and whether the concept is endorsed by recipient countries

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

66. The GEF has already started a shift towards emphasizing identification. The underlying premise of the RAF is country-drivenness in the identification process. The CEO introduced a Project Identification Form (PIF) in August 2006, to be submitted by the Agencies to the GEF Secretariat. The proposal must obviously fit with the endorsed pipeline for climate change and biodiversity projects. The PIF effectively subsumes the need for a Concept Brief for pipeline entry. Evolution has already overtaken the Pipeline Entry phase, by which the RAF endorsement process de facto constitutes the pipeline. The same principles could be applied to other focal

areas. The proposals must, however, be made publicly available for transparency for the Council, local stakeholders and other partners.

67. The purpose of an early identification should revert to the original vision of the concept phase, as discussed by the GEF in 1995, that is, to ascertain whether the proposal is eligible for GEF financing, no more, no less. The 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 of later re-design based on reality.

Recommendation 4: The Work Program as presented to Council should move towards the strategic level

68. A **work program** should be presented to Council for consideration on a more strategic level. As envisaged in the Instrument, the work program should be prepared among the Secretariat, Implementing Agencies, executing agency, and in cooperation with eligible recipients. Originally, the focus of the work program for approval by the Council included an indication of the financial resources, and the principles of cost-effectiveness, country-drivenness and flexibility (Instrument paragraph 4). The management of financial resources has increased in importance, and the lack of systematic overview of financial status has caused further delays in the cycle, as exemplified by the recall of 2006 approvals for lack of liquidity.

69. Several scenarios are possible, which could fill voids in portfolio management that are currently not addressed, and in turn support quality project development. The work program content could also include an overview of country RAF strategies, eligibility criteria and priorities for individual projects, lessons learned from the portfolio and update on RAF-4 strategies, co-financing plans, program outcome indicators, brief summary of focal area potential projects or list of PIFs, or other. As far as proposals are concerned, the work program would provide information of the composition of the pipeline as approved by the CEO on the basis of the Project Identification Forms. This would also present a greater opportunity to address how the cycle generates a portfolio of projects that are mutually supportive, as the 'work programme' approval process could look across PIFs at portfolio level synergies. In other words, the whole portfolio should be greater than the sum of the individual parts.

Recommendation 5: Fully documented project proposals are endorsed by the CEO on a rolling basis

70. It is recommended that GEF projects are subject to a rolling **endorsement by the CEO** before final project approval, as envisaged in the Instrument. If the endorsement is smooth, the Agency would be able to schedule its own approval shortly thereafter. If the principle of full disclosure of project documentation, reviews and project status is observed, appraisal can be used applying modern techniques of on-line review on a rolling basis, available to all. Inclusion of comments in the project document should not be a matter of editorial amendments, but should be addressed by the Agency and project proponents for the Agency approval, be posted on the GEF website, to be verified by spot checks and M&E mechanisms later. The CEO should be at

liberty to submit a project to Council if it is felt that the project raises a sensitive or policy issue, while trying to ensure that policies are not driven by project proposals.

71. In line with the principles of results-based management, appraisal should focus on a sound strategy to achieve results and the management mechanisms to monitor and adapt. Distortional incentives of promoting increasingly detailed comments could be avoided by non-objection approvals regarding consistency 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 Council members to inform themselves on the project documentation and raise any objections if they feel that these are warranted.

5. ISSUES FOR THE FUTURE

72. The roles played by the GEF partners are not only complex but are changing. The GEF Secretariat has portfolio monitoring responsibilities; STAP is in the process of reform; and the GEF Evaluation Office became an independent entity in 2003. The roles of countries 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 **Resource Allocation Framework**. 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 anticipated to lengthen further as a result.

73. 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 to the implementation of the RAF. 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.

74. **The cost-effectiveness of project preparation funding requires further analysis.** The use of **PDF** funds to prepare both full-size 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 otherwise) of PDFs through the activity cycle or to measure their results. Thus, the value of the PDF contribution to developing GEF projects is hard 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.

75. 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

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 naturally be reluctant to advance funds for this purpose. If on the other hand, the recommended revamp of the cycle does lighten requirements and shortens the gap between formulation and project start, the needs for formulation support should change.

76. While the GEF 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, GEF should examine the effectiveness of a country based pilot program that uses **sector based approach** to enable GEF to assess whether there are advantages to pursuing this approach in the future.

ANNEX

Chart 1: Current Distribution of Full-Size-Proposals in the Activity Cycle by Pipeline-Entry date (1991-2006) - by Proportion

Phase of Pipeline Entry	FY for Pipeline Entry	Total No. Entering Pipeline per FY	Pipeline	PDFB	Dropped	Approved	CEO Endorsed	IA Approved	Active	Cancelled	Complete
Entry date not available	NA	325	2%	1%	4%	3%	2%	3%	29%	8%	48%
Pilot Pipeline	1991 to 1994	18			11%				6%	6%	78%
GEF1 Pipeline	1995 to 1998	72	1%	1%	14%	3%	1%	4%	25%	4%	46%
GEF2 Pipeline	1999 to 2002	319	6%	5%	14%	11%	5%	18%	34%	5%	2%
GEF3 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%				
Status of Pipelined Proposals (%)		100%	8%	17%	7%	8%	3%	9%	22%	5%	20%
Status of Pipelined Proposals (No.)		1059	86	178	79	87	36	98	235	50	210

Chart 1. Low Effectiveness:

What does Chart 1 show?

The current position in the Activity Cycle of all 1059 full-size-projects that have entered the Pipeline is reflected in this Chart. The total number of projects pipelined within each (fiscal) year, is defined at the beginning of each row, for earlier periods these are aggregated these into four year cohorts. The Chart then provides a measure of the speed of projects while moving horizontally through the Cycle by disaggregating the group of pipelined projects and categorizing them under their most current status – showing how far down the row they have moved since pipeline entry.

The Chart reflects the entire range of project status a given cohort is currently positioned in. It reflects in particular on the management of the Activity Cycle, on whether decisions to approve a project for the next stage or to weed it out were taken, or whether a project is 'languishing'. Implications of this distribution are discussed in detail in Chapter 4.

Does lack of pipeline entry date change the findings?

The proposals without pipeline entry dates (the first row in the table) capture a substantial proportion of the older GEF Portfolio, these are omitted in the rest of table due to lack of recorded pipeline entry data. This row represents up to 85% of the Pilot phase, 74% of GEF1, 42% of GEF2 and 6% of GEF3. The majority (53%, 170 FSPs) are UNDP projects, 85% of which are either complete (92 FSPs) or active (53 FSPs). Another 91 are Bank projects, 42 of which are complete and 14 active; and 32 are joint IA projects of which 12 are complete and 15 are active. This row illustrates that the while a larger proportion than described in the Chart are closed, older projects are also still active.

Chart 2: Time Spent at each Stage as Full-Size-Projects move through the Activity Cycle, by GEF Replenishment Phase in which Projects entered the Work Program

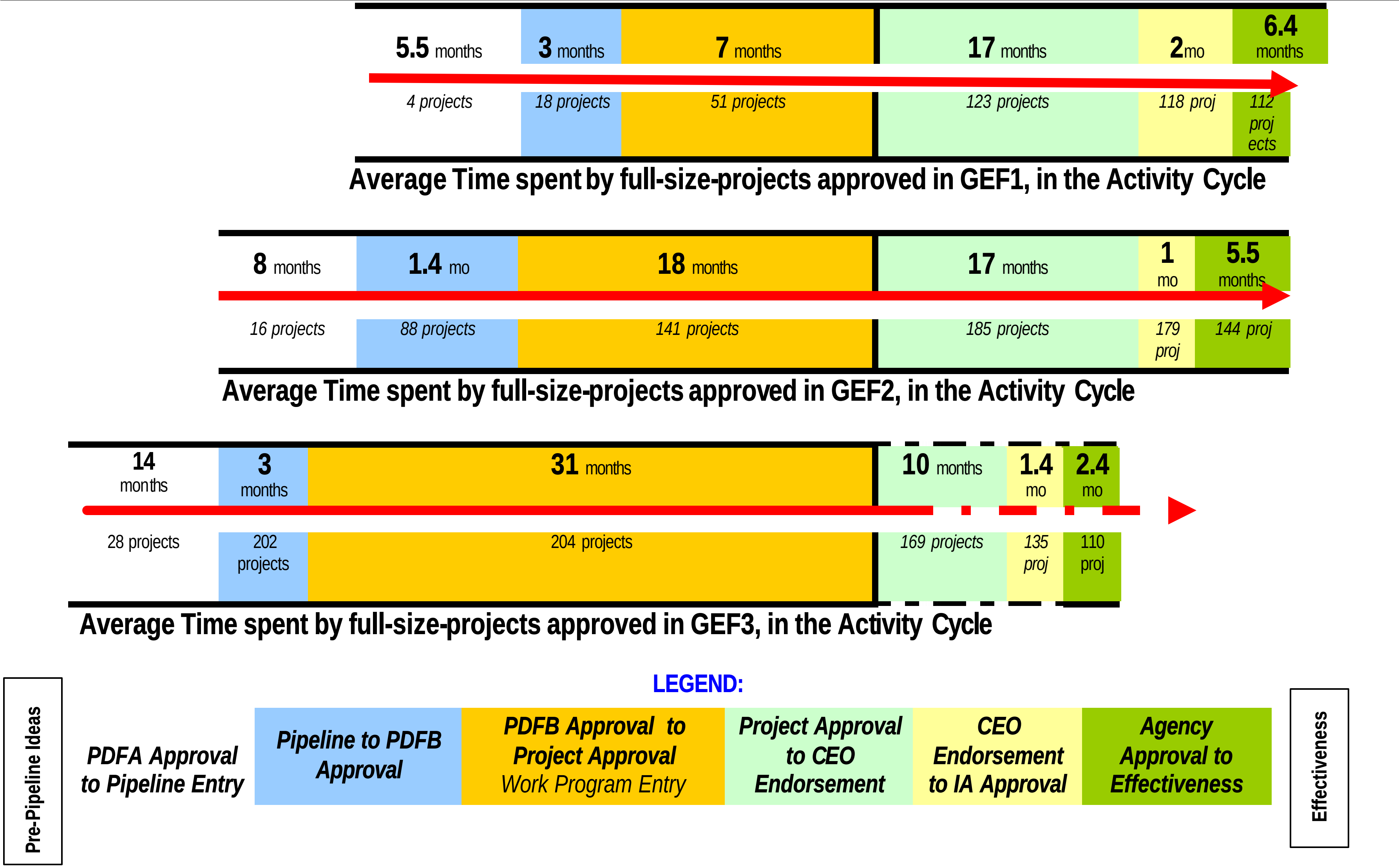

Chart 2. Activity Cycle Processing Time: An Exposition

- ***Which projects are reflected in Chart 2, and how is each cohort defined?***

The entire universe of 704 full-size-projects approved between FY 1995 and mid-FY2006 has been divided into three cohorts based on the four-year GEF replenishment phase they were approved in (i.e. their year of Work Program Entry). This follows the traditional classification of GEF projects and most commonly defines the set of prerequisites they have fulfilled while being processed. These requirements have varied and increased over successive GEF phases. The GEF1 cohort contains 136 projects (98% are active, cancelled or complete), GEF2 contains 210 (90%) and GEF3 254 projects (24%). The early Pilot Phase (1991-94) has been excluded from the analysis.

- ***What does the Chart show?***

The Chart represents the average calendar time (in months) it has taken projects within each cohort to move from one stage in the Cycle to the next. Based on this representation, it shows that projects approved in recent years have spent increasing amounts of processing time in the GEF Cycle. The Chart further identifies processing stages within the Cycle that take more or less time; this is compared with other processing stages and over time. There is indication that, on average, projects are taking longer in the pre-Approval period (before entering the Work Program), and then perhaps moving faster post-Approval. In particular, the Chart marks out an 'orange' zone, the project preparation-period between PDFB Approval and Work Program Entry which has shown the most significant increase over time per approved project.

- ***How robust are these trends?***

The entire universe of full-size-projects is included here, making for robust representation. Corroborating the vigor of the Chart, these trends have been identical across Agencies. The increase in time from PDFB Approval to Project Approval in GEF3 is statistically significant. It is noted that some newer projects have not yet moved right through the entire Cycle and that due to data restrictions dates for a few – of the older- projects are not recorded; yet the available processing time for most of the universe of projects is measured and the number of projects within each phase with complete information is recorded to signal robustness. Over time, as the entire cohort of projects within each GEF phase becomes effective, it is possible that the declining time-trend in the post-Approval periods may ease-off as slower projects reach effectiveness. The trend for the pre-Approval period is however, relatively fixed for the GEF cohorts represented in the Chart given that, by definition, all projects within these cohorts have received approval (all projects are reflected here, except for those included in the last June 2005 Work Program), future approved projects will fall under GEF4 replenishment.

- ***Can the total processing time taken by a project be calculated by adding up each Stage?***

The average total processing time across the GEF replenishment cohorts is affected by the number and nature of projects that have completed all the various phases in the Cycle. Elapsed time cannot therefore accurately be calculated simply by adding the various time-slices. Below are representations of this total time. Projects using Block-A preparatory funding (12% of projects between GEF1 to GEF3) start the Cycle from PDFA Approval, and the total processing time for these is indicated in the first row (from PDFA to Effectiveness). The second two rows represent the total time for projects that do not have PDFA funding, but may have accessed Block-B and Block-C funding (38%, 67% and 80% of GEF1, GEF2 and GEF3 respectively have PDFB components; 2% of all projects have PDFC resources). Row 3 removes projects with unusually high processing times from the cohorts in Row 2, but projects with unusually low processing times are included, providing estimation of averages that have higher probability.

Total Processing Time Across the GEF Activity Cycle

	Total Average (Months)			No. of Projects			Standard deviation (months)			Median(months)		
	GEF1	GEF2	GEF3	GEF1	GEF2	GEF3	GEF1	GEF2	GEF3	GEF1	GEF2	GEF3
1. PDFA Approval to Effectiveness	36	50	66	17	15	12	23	19	23	40	44	52
2. Pipeline to Effectiveness	37	39	42	36	90	110	22	17	20	37	37	38
3. Pipeline to Effectiveness (without Outliers)	33	38	41	34	88	108	16	15	19	29	37	40

[1] Asian Development Bank (ADB), African Development Bank (AfDB), European Bank for Reconstruction and Development (EBRD), Inter American Development Bank (IADB), UN Food and Agriculture Organization (FAO), UN International Fund for Agriculture and Development (IFAD), and UN Industrial Development Organization (UNIDO).

[2] These principles cover Incremental Costs for Global Environmental Benefits, Country Ownership, Cost-Effectiveness, Flexibility, Full Disclosure, Public Participation, Catalytic Role and Monitoring and Evaluation.

[3] Based on the 1,059 projects that entered the GEF pipeline from 1991 to 1 January 2006 (including informal GEF-1 pipeline).

[4] The Pilot Concepts (17) have been excluded. Only concepts with recorded Pipeline dates are included (325 post-pipeline concepts without dates excluded). Includes concepts that are currently PDFB (175), Pipeline (82) and Pending (2). Concepts that are pre-Pipeline, or were dropped before WKPE or rejected before Pipeline entry are not included.

[5] Several Agencies have highlighted the particular challenges in the timing of appraisal phase, which is especially heavy for GEF projects with comments from GEFSec, other Agencies, convention secretariats, STAP and the Council, in addition to internal Agency feedback and country comments.