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Agenda Item 9

MANAGEMENT RESPONSE TO: EVALUATION OF THE GEF ACTIVITY CYCLE AND MODALITIES

**(Prepared by the GEF Secretariat in consultation with the Implementing and
Executing Agencies)**

EXECUTIVE SUMMARY

This is the management response, prepared by the Secretariat in consultation with the Implementing and Executing Agencies, to document, GEF/ME/C.30/7, *Evaluation of the GEF Activity Cycle and Modalities*, an evaluation of the GEF project cycle undertaken by the GEF Evaluation Office jointly with the evaluation offices of the GEF Agencies.

We would like to thank the GEF Evaluation Office and the evaluation offices of the GEF Implementing and Executing Agencies for having undertaken this complex and very important evaluation. We generally agree with the conclusions and recommendations of the evaluation. It is timely as the GEF is entering a new replenishment period with a set of policy recommendations for implementation. Furthermore, the implementation of the resource allocation framework (RAF) in the biodiversity and climate change focal areas is introducing new ways of working with recipient countries and Agencies. The conclusions and recommendations of the Joint Evaluation will provide a good basis to move forward towards re-thinking the formulation of an improved GEF project cycle.

The various findings of the evaluation all converge into one single overall conclusion: the project cycle is too long, too complex and this lengthy process has resulted in a process that is ineffective, inefficient and not cost-effective. Over the last 10 years, the project cycle and associated business processes have accreted steps that may have seemed relevant individually, but have collectively resulted in an unmanageable system. Given the lack of any discernable improvement with successive streamlining steps over the last several years, we think that no gain would be achieved by tinkering with the current project cycle at the margin. We, therefore, agree with the recommendation of the evaluation, and would like to propose that the current project cycle be scrapped and a completely new project cycle be designed for a GEF of the current decade.

The GEF Secretariat, together with the GEF agency partners will meet in the coming months to identify and discuss options to a simplified GEF project cycle, drawing on the conclusions and recommendations from the Joint Evaluation report, and taking into consideration the issues identified with the existing project cycle. Our goal will be to develop a project cycle where it does not take more than 22 months for a proposal to progress from identification to start of project implementation. A proposal for a new project cycle will be presented to the Council for review at its June 2007 meeting.

INTRODUCTION

1. This is the management response to document, GEF/ME/C.30/7, *Evaluation of the GEF Activity Cycle and Modalities*, an evaluation of the GEF project cycle undertaken by the GEF Evaluation Office jointly with the evaluation offices of the GEF Agencies. The objective of the evaluation was to: (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.

2. The management response has been prepared by the GEF Secretariat in consultation with the Implementing and Executing Agencies. We generally agree with the conclusions and recommendations of the evaluation. It is timely as the GEF is entering a new replenishment period with a set of policy recommendations for implementation. Furthermore, the implementation of the resource allocation framework (RAF) in the biodiversity and climate change focal areas is introducing new ways of working with recipient countries and Agencies. The evaluation provides input and the basis for improving the GEF project cycle.

Findings and Conclusions

3. We agree with the overall conclusion emerging from the four major findings of the evaluation that the current GEF project cycle is not effective, not efficient, not cost-effective, and not made full use of trends in its Agencies.

Finding 1: The GEF activity cycle is not effective and the situation is growing worse

4. We agree with the evaluation's finding that the GEF activity cycle is not effective. We concur that the performance level is less than satisfactory, requiring immediate attention.

Finding 2: The GEF activity cycle is not efficient and the situation is growing worse

5. We agree with the evaluation's finding that the GEF project cycle is not efficient, measured in terms of the elapsed time it takes for a proposal to progress from identification to start of implementation. We concur that it takes an unacceptable amount of time for proposals to be processed through the project cycle.

Finding 3: The GEF activity cycle is not cost-effective

6. We concur with finding that the longer time spent in project preparation does not necessarily result in better projects, as reflected in subsequent performance ratings either during project implementation or after project completion. In this context, we agree with the findings that: (i) duplication with Agency processes have crept in over time creating increasing complexity; (ii) past streamlining efforts have had a limited impact; and (iii) information disclosure and transparency about procedures and processes can be vastly improved.

7. We concur fully with the evaluation's finding that the increasing use of PDFs have contributed to increased elapsed times without necessarily contributing to project quality. We agree that PDF "ceilings" have become "floors" that could affect the duration of PDF grants; that there is a need to establish deadlines and completion reporting for implementation of PDFs.

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

8. We agree with the finding that there has been a proliferation of new modalities (often without clearly understood procedures) as a response to the inability of the regular project cycle to respond efficiently and flexibly to different needs. Indeed the GEF has not been keeping up with the trends in its partner Agencies in terms of new approaches to developmental financing such as programmatic and sector-wide approaches.

Recommendations

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

9. We agree with the evaluation's overall finding that since there is no one process, not any GEF partner, or one single cause for the underperformance of the project cycle. It is likewise not a single recommendation or solution that could improve the current cycle.

Recommendation 2: A shift 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

10. We agree with the evaluation on the importance of deepening the move towards the Results-Based Management in pursuance of the simplification of project cycle, harmonization of the evaluation function and introducing results indicators and portfolio monitoring. The process for establishing a results-based management framework, in parallel with the exercise to review and revise the focal area strategies, has already been initiated by the Secretariat, in collaboration with the Agencies. Other important elements, including application of monitoring and evaluation policy in the GEF project review criteria and the development of a new management information system, are all in various stages of development and implementation. These efforts together will facilitate the development of a more transparent and streamlined project cycle to undertake the reform policies and strategic objectives of GEF 4.

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

11. The recent introduction of a Project Identification Form (PIF) by the GEF Secretariat aims to focus project eligibility upstream to weed out ineligible project ideas without resorting to

unnecessary GEF financing. The GEF Secretariat will continue reviewing the optimal timing and implementation procedures for a PIF and explore how best it fits into the current as well as future streamlined project cycle.

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

12. We agree with the recommendation that the work program presentation to the Council should be in a strategic context, whereby the Council can review the work program as it applies to GEF strategic directions, country priorities, innovative thrust of the portfolio, etc. The GEF Secretariat and the Agencies will take up this challenge in the coming months as we develop options(s) for a revised project cycle.

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

13. Even under the current project cycle, project documents for CEO endorsement are submitted on a rolling basis while the other stages of the project cycle, including the pipeline entry and work program inclusion follow the GEF project processing calendar, partly aimed at overlapping with the bi-annual Council Meeting. A rethinking of the project cycle will certainly include a review of the possibility of submissions at all stages of the project cycle on a rolling basis. The Secretariat is already implementing an approach where project identification review and project concept review occurs on a rolling basis.

Conclusions and Next Steps

14. We would like to thank the GEF Evaluation Office and the evaluation offices of the GEF Implementing and Executing Agencies for having undertaken this complex and very important evaluation. The conclusions and recommendations of the Joint Evaluation will provide a good basis to move forward towards re-thinking the formulation of an improved GEF project cycle.

15. The various findings of the Evaluation all converge into one single overall conclusion: the project cycle is too long, too complex and this lengthy process led to a cycle that is ineffective, inefficient and not cost-effective. Over the last 10 years, the project cycle and associated business process have accreted steps that may have seemed relevant individually, but have collectively resulted in an unmanageable system. Given the lack of any discernable improvement with successive streamlining steps over the last several years, we think that no gain would be achieved by tinkering with the current project cycle at the margin. We, therefore, agree with the recommendation of the evaluation, and would like to propose that the current project cycle be scrapped and a completely new project cycle be designed for a GEF of the current decade.

16. The GEF Secretariat, together with the GEF agency partners, will meet in the coming months to identify and discuss options to a simplified GEF project cycle, drawing on the conclusions and recommendations from the Joint Evaluation report, and taking into

consideration the issues identified with the existing project cycle. Our goal will be to develop a project cycle where it does not take more than 22 months for a proposal to progress from identification to start of project implementation. A proposal for a new project cycle will be presented to the Council for review at its June 2007 meeting.