UNITED NATIONS

Framework Convention on Climate Change

Distr.
GENERAL

FCCC/SBI/2002/14
11 September 2002

Original: ENGLISH

SUBSIDIARY BODY FOR IMPLEMENTATION
Seventeenth session
New Delhi, 23–29 October 2002
Item 5 (c) of the provisional agenda

FINANCIAL MECHANISM

REVIEW OF THE FINANCIAL MECHANISM

Synthesis report

Note by the secretariat*

Summary

This document synthesizes the views of Parties on the second review of the effectiveness of the financial mechanism of the United Nations Framework Convention on Climate Change and the achievements of the Global Environment Facility (GEF) as an entity that operates the mechanism. Although the review covers the period 1999 to 2002, background information has been provided on activities financed by the GEF since its establishment in 1991. The assessment of the effectiveness of the financial mechanism was carried out in accordance with the criteria listed in the annex to decision 3/CP.4. The criteria include the transparency of the decision-making process within the GEF and its implementing agencies, the adequacy, predictability and timely disbursement of funds, the responsiveness and efficiency of the GEF project cycle, the amount of GEF resources provided to developing country Parties, and the level of leveraged resources, as well as the sustainability of GEF-funded projects. Other issues addressed in this report include the characteristics of the guidance provided by the Conference of the Parties, the third replenishment of the GEF Trust Fund and an overall assessment of the GEF.

At the seventeenth session of the Subsidiary Body for Implementation, the Parties may wish to consider this synthesis report during their deliberations on the second review of the financial mechanism and recommend a draft decision for adoption by the Conference of the Parties at its eighth session.

* This document is submitted late owing to the need to undertake extensive internal and external consultations.

CONTENTS

LIST OF FIGURES

LIST OF ABBREVIATIONS

CAN	Climate Action Network
CBD	Convention on Biological Diversity
CEO	chief executive officer
COP	Conference of the Parties
EA	executing agency
ESCO	energy service company
GEF	Global Environment Facility
IA	implementing agency
IPCC	Intergovernmental Panel on Climate Change
MSP	medium-sized project
NGO	non-governmental organization
OP	operational programme
OPS-2	Second Overall Performance Study of the GEF
PPR	project performance report
PV	photovoltaics
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change

I. INTRODUCTION

1. Article 11 of the Convention defines a mechanism for the provision of financial resources to developing countries on a grant or concessional basis, including for the transfer of technology. It also specifies that the financial mechanism shall function under the guidance of, and be accountable to, the Conference of the Parties, which shall decide on policies, programme priorities, and eligibility criteria related to the Convention. Article 11, paragraph 4, states that the COP shall review the effectiveness of the financial mechanism within four years of the entry into force of the Convention.

2. Article 21, paragraph 3, designates the Global Environment Facility[1] as an interim operating entity of the financial mechanism. A memorandum of understanding was concluded in 1996 between the COP and the Council of the GEF, which defined their respective roles and responsibilities. The COP completed the first review of the financial mechanism and conferred on the GEF definitive status as an entity operating the financial mechanism.

3. As required by decision 12/CP.2, the GEF within the period of this review has presented annual reports[2] to the COP, highlighting its activities in climate change during each reporting period, and outlining the action and measures it has taken to implement the guidance and decisions of the COP.

4. The Conference of the Parties at its fourth session, in pursuance of Article 11 of the Convention, adopted decision 3/CP.4 (see annex), entitled “Review of the financial mechanism”, according to which the second review of the effectiveness of the financial mechanism is to be carried out by 2002. In accordance with the annex to this decision, the review is to be conducted on the basis of guidelines which outline the objectives, methodology and criteria to be used to assess the effectiveness of the financial mechanism.

5. The Subsidiary Body for Implementation at its sixteenth session initiated the process for the review of the financial mechanism and invited Parties and intergovernmental and non-governmental organizations to provide, by 8 July 2002, information on their experience regarding the effectiveness of the financial mechanism[3] in accordance with the criteria set out in the guidelines contained in the annex to decision 3/CP.4. The SBI also requested the secretariat to prepare a synthesis report on the review of the financial mechanism for consideration at its seventeenth session, on the basis of submissions received and documents listed under the methodology section of the annex.

6. This document was prepared on the basis of the above submissions, the statements of Parties at sessions of the SBI, information contained in the submitted initial national communications of Parties not included in Annex I to the Convention (non-Annex I Parties), documents of the COP and the SBI, and GEF documents including the annual reports provided by the GEF secretariat to the COP, the Second Overall Performance Study, and other relevant documents.

II. SCOPE OF THE REPORT

7. Chapter III of this document provides a summary of the inputs of Parties to the review of the effectiveness of the financial mechanism. Chapter IV briefly outlines the COP consideration of GEF annual reports. Chapter V discusses the background and recent institutional developments of the GEF.

---

[1] In this report, the GEF is referred to as “an operating entity of the financial mechanism” rather than “the financial mechanism”, though the GEF has been regarded as the “financial mechanism” in many instances in the literature.

[2] The GEF reports to COP 5, COP 6, COP 7 and COP 8 are contained in documents FCCC/CP/1999/3, FCCC/CP/2000/3, FCCC/2001/8 and FCCC/CP/2002/4 respectively.

[3] FCCC/SBI/2002/6.

In chapter VI, the GEF climate change activities are addressed by outlining the operational strategy and the relevant operational programmes in the climate change focal area as well as discussing the GEF project cycle. The chapter also discusses the GEF funding of climate change activities. Chapter VII addresses the scope of evaluation of the GEF climate change portfolio, including enabling activities, medium-sized and full projects, and the Small Grants Programme. It also discusses cross-cutting and institutional issues within the operational programmes of the GEF. Chapter VIII provides a summary and conclusions based on the information contained in the preceding chapters of this report.

III. INPUTS FROM PARTIES ON THE REVIEW OF THE FINANCIAL MECHANISM

A. Summary of views submitted by Parties

8. By 25 July 2002, seven submissions[4] had been received, from Chile, Denmark (on behalf of the European Community and its member States, Croatia, Czech Republic, Estonia, Hungary, Latvia, Poland, Romania, and Slovenia)[5], Kenya, New Zealand, Samoa (on behalf of the Alliance of Small Island States)[6], United States of America and Uzbekistan on the review of the financial mechanism. The views expressed by a non-governmental organization, Climate Action Network, were also considered. No submissions were received from any of the intergovernmental organizations.

9. Parties expressed views based on their own experiences with the GEF as an entity that operates the financial mechanism, from the perspective of either a donor or a recipient country, and also based on information contained in some evaluation reports of the GEF, in particular OPS-2. The format of the submissions did not necessarily follow the criteria for the review of the effectiveness of the financial mechanism as contained in the annex to decision 3/CP.4 (see annex below).

10. Views expressed in the submissions cover a wide range of issues including overall impressions of the performance of the GEF, scope of the review, third replenishment of the GEF, findings and recommendations of OPS-2, access to GEF funding, support for proposal preparation, the project cycle, concept of incremental costs, regional and country-level concerns, financial management and the fee-based system, transparency of the decision-making process, increase in number of executing and implementing agencies, enhanced private sector engagement, project programming focus and guidance to the COP, clarification of Convention guidance and priorities, monitoring and evaluation, new climate change funds, reporting by Parties within national communications, and outcome of the review of the financial mechanism.

Overall experience with the GEF

11. Parties in their submissions acknowledged that their overall experience with the Global Environment Facility was positive and that as an operating entity of the financial mechanism, it has made some progress in facilitating the implementation of the Convention, although the GEF climate change project portfolio is in the process of maturing. The general perception of some Parties was that the GEF on the whole had been effective in providing financial resources for the transfer of technology and capacity-building and in responding to guidance provided by the Conference of the Parties.

---

[4] FCCC/SBI/2002/MISC.2.

[5] This represents the views of 23 Parties to the Convention.

[6] This represents the views of 39 Parties to the Convention.

Scope of review

12. One Party in its submission stated that the current review should focus on the performance of the GEF to date and scope for improvement in its performance based on donor and recipient country experiences.

Project cycle

13. With regard to the project cycle, the Parties were of the view that there had been a continuous effort by the GEF to streamline the GEF project cycle as well as expedite access to the financial resources. This aspect assumed growing importance as the number and scope of projects increased. Specific mention was made of the expedited access available to funding relating to medium-sized projects and the Small Grants Programme. The Parties acknowledged the role of the Council, which had the backing of all the GEF participants. One Party stated that it would work towards timely delivery of quality-based assistance for all types of projects.

Regional and country-level concerns

14. Parties expressed the need for GEF-funded projects to be country-driven. The role of implementing and executing agencies should be such that the projects are designed to effectively address the concerns and priorities of host countries. Some Parties suggested that the GEF consider the establishment of an office to address the specific requirements of the small island developing states or the creation of a liaison focal point within the GEF for the same purpose. They proposed increasing the number of implementing and executing agencies to ensure that more regional organizations are involved in the development, planning and implementation of GEF activities. This would in turn ensure that GEF activities do reflect national priorities and concerns.

15. Another Party, citing the GEF annual report 2001, referred to the fact that in spite of having the largest number of Parties to the UNFCCC, Africa has received the least resources in comparison to the three other regions. It however acknowledged the role of the GEF in the funding of enabling activities and the associated build-up of capacity in Africa. It expressed the view that more needs to be done to implement concrete projects relating to Article 4.1, in particular on adaptation to impacts of climate change. There is a need to develop climate change related policy and strategy and also implement COP guidance relating to the implementation of the list of projects proposed by countries in the national communications, in accordance with Article 12.4 of the Convention.

16. Some Parties acknowledged the need for continual improvement at the country level with regard to the effectiveness of the operational focal points, in order to improve project processing and better integrate GEF programmes into national development policies based on country priorities. Operations at the country level where improvements were suggested by Parties include the development of a better understanding of the GEF mandate and operations, improvement of information flows between the Parties and the GEF, and facilitation of regular updates on the status of projects in the pipeline. One Party raised the issue of the role of Parties being limited to the initial endorsement, following which they are kept out of the project cycle. The same Party recommended that additional financial resources be provided to enable them to conduct an in-country portfolio and project review alongside the GEF implementing and executing agencies. Another Party suggested that country dialogue workshops be used to improve country-level operations, but stated that primary responsibility for country-level coordination remained with the host country.

Reporting in national communications

17. One Party recommended that Parties should provide information in their national communications on the effectiveness and results of GEF country-relevant support for both enabling activities and other projects. One Party expressed the hope that the financial mechanism would operate efficiently as it had done in the past in providing increased resources for the preparation of the second national communications when the revised guidelines for non-Annex I Party communications are adopted at COP 8.

Clarification of Convention guidance and priorities

18. Some Parties were of the view that the review of the financial mechanism should involve an examination of the quality of Convention guidance to the GEF and whether such guidance could either be clarified or subsequently improved by indicating an order of priority and removal of guidance with a lower priority or lesser relevance. Another Party raised the possibility of dialogue between the GEF and the Convention, whereby the GEF could seek to clarify priorities based on each subsequent round of guidance received.

Access to GEF funding

19. Some Parties suggested that, in light of the increasing number and scope of GEF-financed projects, there is a need to maintain an efficient and effective process of deploying GEF resources. They therefore called on Parties to endorse a proposal discussed at the May 2002 Council meeting that executing agencies should have direct access to GEF funding without going via the existing three implementing agencies, stating that this would expedite the application process and minimize both compliance and administration costs. One Party proposed that access to GEF resources and the efficiency of the use of these resources would improve if adequate safeguards were put in place and scrutiny of current funding criteria is maintained.

Support for proposal preparation

20. One Party indicated its willingness to provide financial support, guidance material and/or a "centre of expertise" to small or less developed countries and infrequent users of the GEF to assist them in preparing funding proposals, due to the resource-intensive nature of the task. It called for robust criteria that would ensure that only those countries with genuine expertise gaps can receive the support.

Incremental costs

21. One Party emphasized the need for increased clarity and transparency in the application of the concept of incremental costs and global benefits by the GEF.

Financial management and the fee-based system

22. Some Parties expressed concern regarding the efficient use of financial resources. They cited an example of a project which had lost approximately $400,000 due to the manner in which financial issues were managed.[7] The loss had led to the cancellation of critical capacity-building activities during the final year of the project. Other Parties expressed the need to reduce administrative and compliance costs so as to make more resources available for project implementation. According to one submission, both donor and recipient countries are concerned at the increasing level of fees charged by these implementing and executing agencies and their overall financial management. Additionally, a question was raised about the flat fee structure of some agencies, which would prove inequitable and negatively impact

---

[7] The particulars of the project were not provided.

smaller projects and those of smaller countries, thereby discouraging such projects. One Party drew attention to a GEF Council resolution to further investigate both the structure and the level of the fees, with the expectation that the review would lower fees relative to the current level.

Transparency of the decision-making process

23. One Party referred to the GEF policy which seeks to make GEF operations more transparent, particularly via the GEF web site. It also referred to the efforts of the GEF to obtain wider acceptance for information disclosure among the IAs and indicated that OPS-2 findings reveal that GEF projects in the climate change focal area have generally included good participatory processes. It endorsed the recommendation that the participatory process be strengthened through a systematic assessment of participation across the GEF portfolio.

Increased number of executing and implementing agencies

24. As regards the GEF reform which led to the creation of expanded opportunities for select executing agencies, there was a suggestion that the number of EAs and IAs be further increased to take better account of regional issues and concerns, in turn ensuring that the outcome of GEF projects is consistent with Parties' regional development priorities.

Enhanced private sector engagement

25. One Party suggested that private sector engagement in GEF activities should be enhanced, as GEF resources were limited.

Project programming focus and guidance of the COP

26. One Party indicated that the GEF had on the whole functioned in conformity with COP guidance, and it emphasized the significance of the role played by the GEF in identifying priorities to ensure the latter's effectiveness in addressing core areas of climate change. It however observed that GEF-funded projects were not at the moment adequately rooted in national action plans, and therefore stressed the need for better integration of such projects into national development policies. Another Party pointed out the need for a more focused programme in areas where there is a strong and continuing commitment to innovation. Some Parties urged the GEF to operate in accordance with COP guidance and to take immediate action to fund projects relating to vulnerability and adaptation to climate change.

Monitoring and evaluation

27. One Party proposed that an independent monitoring and evaluation department be created to monitor and evaluate GEF projects. Other Parties suggested that the GEF should focus on quantifiable project results, and that lessons learned from the implementation of projects be systematically used and facts reported to the COP, including the creation of an enabling environment for business.

Second Overall Performance Study

28. Several Parties welcomed the outcome of the Second Overall Performance Study published in January 2002 and felt that the study provided valuable information in assessing the performance of the GEF to date. One Party specifically referred to the SBI 16 conclusion[8] requesting that existing reports of relevance (including the OPS-2) be considered during the review.

[8] FCCC/SBI/2002/6, para. 23 (e).

29. Some Parties made reference to the OPS-2 recommendations relating to improving the effectiveness and efficiency of the GEF, as well as effective implementation of COP guidance by the GEF. One Party stated that the GEF should continue working towards improving its effectiveness and efficiency as suggested by the OPS-2, while another suggested that recommendations relating to the administration and operation of the GEF, which are relevant to the issue of funding of specific climate change initiatives, be urgently implemented. The latter Party also endorsed the GEF Council proposal that a set of indicators be developed to assess progress made in addressing such administrative concerns. One Party suggested that the current review process should lead to the endorsement of the findings of the OPS-2 and the final action plan to implement the OPS-2 recommendations, as well as support a regular review of the administrative and operational performance of the GEF in line with this study. Another Party stated that the recommendations must be seen in the light of both the GEF action plan to implement the OPS-2 recommendations (discussed at the May 2002 Council meeting) and the policy recommendations of the third GEF replenishment.

New climate change funds

30. One Party recalled the COP decisions making the GEF an entity that would operate the climate change fund, the least developed countries fund and the adaptation fund, set up to finance activities complementary to those funded by the GEF in its climate change focal area. Another Party stressed the need for contributions to be made to the special climate change fund, so that there would be resources to support research and implementation activities in developing countries in the area of vulnerability, adaptation and mitigation, among others.

Third replenishment

31. Some Parties drew attention to the need for expeditious resolution of the impasse relating to the level of the third replenishment,[9] and urged that the GEF be replenished in a timely manner and at much greater levels than previously, given the urgency and importance of the issues covered by its mandate. The Party invited developed countries to review their contributions and honour commitments set forth in previous meetings.

Outcome of the review of the financial mechanism

32. One Party expressed the need for the secretariat to analyse the submissions,[10] and provide some recommendations for action to facilitate a structured discussion at SBI 17. Other Parties suggested that the review be used to examine the quality of Convention guidance provided to the GEF and improve it as appropriate. It was also suggested that a dialogue between the GEF and the Convention would be useful in assisting the GEF to seek clarification on priorities for action based on present and previous guidance of the COP.

B. Statements made by Parties at SBI 16 on the second review of the financial mechanism

33. At the sixteenth session of the SBI, several Parties expressed their views on the review of the financial mechanism. One Party expressed its support for the GEF as an operating entity of the financial mechanism and considered the review of the financial mechanism an important exercise. It however expressed its interest in avoiding overlap and duplication with other reviews completed by the COP of the CBD, as well as the review of the performance of the GEF within the framework of OPS-2. One

---

[9] The negotiations relating to the final round of the third replenishment of the GEF trust fund were completed on 7 August 2002.

[10] FCCC/SBI/2002/MISC.2.

Party proposed that the review should produce a small number of key recommendations for the improvement of the effectiveness of the financial mechanism.

34. Another Party noted that GEF resources to support the implementation of enabling activities had resulted in the enhancement of capacities for addressing climate change issues under the Convention, including the preparation of national communications.

35. One Party, speaking on behalf of the Group of 77 and China, expressed support for a thorough and objective review of the financial mechanism, the role of the financial mechanism being crucial to the effective implementation of the Convention by non-Annex I Parties.

36. One Party, speaking on behalf of the European Community and its member States, welcomed the results achieved so far by the GEF as an entity operating the financial mechanism and noted its appreciation of the efforts of the GEF to finance activities in accordance with priorities defined by the COP. They welcomed OPS-2 and noted that several recommendations were designed to improve the GEF work on the ground as well as its effectiveness and efficiency. It expressed the member States' willingness to work together in the GEF Council to further improve timely delivery of GEF assistance.

37. Another Party expressed the need for the COP to provide the GEF with clear and precise guidance on providing funding for non-Annex I Parties in a timely manner so that they can implement their commitments under the Convention.

C. Relevant information contained in initial national communications of non-Annex I Parties

38. Eighty-two non-Annex I Parties provided some information on the financial and technological needs and constraints they encountered in the preparation of their national communications and the implementation of the Convention. They reported on constraints relating to data availability and quality, and available technologies, tools and methodologies, as well as human, financial and institutional capacities.

39. Most Parties acknowledged having received financial and technical assistance from the Global Environment Facility and its implementing agencies, and other bilateral or multilateral programmes for the preparation of their initial national communications and stressed the importance of continuity in the receipt of such assistance. In accordance with Article 12, paragraph 4, of the Convention and paragraph 17 of the relevant UNFCCC guidelines (decision 10/CP.2), many Parties included information on proposed projects to abate greenhouse gas emissions for funding and some Parties included a list of adaptation projects for funding.

40. Almost all Parties reported difficulties in preparing their national greenhouse gas inventories and indicated that these stemmed from a lack of technical and institutional capacities as well as good quality data. Many Parties reported that the emission factors were not appropriate and applicable to their situation, while some Parties stressed the need to adapt the methodologies to their own circumstances. They further expressed the need for assistance to ensure continuous collection and maintenance of activity data, to improve the accuracy and reliability of these data, and to enhance local technical capacity and expertise, and to develop national emission factors mainly in the energy, agriculture, land-use change and forestry, and waste sectors.

41. Parties referred to gaps and difficulties relating to either the assessment or possible implementation of abatement options. Among the problems related to the assessment of abatement options, Parties mentioned inadequate institutional arrangements, lack of information, lack of capacity for mitigation analysis and project development and lack of financial resources. Constraints for

implementation of abatement measures included inadequate institutional arrangements, lack of adequate financial resources, lack of tax incentives and/or policies that promote the introduction, production and use of more efficient appliances, aversion to the risk of adopting new technologies, higher cost of abatement technologies and lack of public and political support for the implementation of abatement measures.

42. With regard to problems and constraints encountered in the area of vulnerability assessments, many Parties indicated that the studies were not widespread enough to cover all vulnerable sectors because of lack of capacity, technology/methodology, and good quality data as well as adequate financial resources. The needs identified were related to upgrading skills and research, data collection and analysis pertaining to vulnerability and adaptation measures, and capacity-building to assess and respond to the impacts of climate change. Many Parties emphasized the need to improve the projections of temperature and precipitation changes as well as sea-level rise, so as to reduce uncertainties linked to their impacts. The main sectors of concern were water resources, agriculture, coastal zones, human settlements, population, health and ecosystems.

IV. ANNUAL REVIEWS BY THE COP ON THE CONFORMITY OF THE ACTIVITIES OF THE FINANCIAL MECHANISM WITH THE GUIDANCE OF THE COP FOR THE PERIOD 1999–2001

43. Consistent with the memorandum of understanding referred to in paragraph 2 above, the GEF has submitted four annual reports to the Conference of the Parties, covering the GEF fiscal years 1999, 2000, 2001 and 2002, since the first review of the financial mechanism in November 1998. In these reports, the GEF provided information on its project activities in the climate change area, implementation of Convention guidance, highlights of other relevant activities, and GEF monitoring and evaluation activities. Some of these activities were carried out in response to COP guidance contained in decisions 11/CP.1, 12/CP.1, 10/CP.2, 11/CP.2, 2/CP.4, 8/CP.5, 10/CP.5, 6/CP.7 and 27/CP.7.

44. The COP, after taking note of the GEF reports, forwards them to the SBI for its consideration. The SBI then forwards its conclusions and recommendations, as appropriate, to the COP for endorsement. The SBI provided substantive feedback on the GEF report to COP 7, in which it urged the GEF to streamline its project cycle and encourage its implementing agencies to be more responsive to the requests of developing countries for financial and technical support.[11] The SBI conclusions also mentioned the need for the GEF to support the preparation of the second national communications of non-Annex I Parties and to make resources available for the implementation of Article 6 of the Convention, as well as the dissemination of the IPCC Third Assessment Report.

V. BACKGROUND AND RECENT INSTITUTIONAL DEVELOPMENTS OF THE GEF

45. The GEF was established in 1991 as an international financial mechanism, serving global environmental conventions. It was established as a pilot programme, by resolution of the Executive Directors of the World Bank and by related inter-agency arrangements between UNDP, UNEP and the World Bank. Its institutional structure is based on a partnership between UNDP, UNEP and the World Bank, which are referred to as its implementing agencies. These agencies are responsible for the preparation of project proposals, and their submission to the GEF Council through the GEF Secretariat for approval and for implementing GEF-financed activities in recipient countries. These IAs over time have developed working partnerships for the implementation of GEF activities with an extended range of international multilateral institutions, known in the GEF as executing agencies.

---

[11] FCCC/SBI/2001/18, para. 14.

46. In order to expand the capacity of the GEF to deliver projects, increase the range of innovative ideas and experience accessible to the GEF and leverage additional resources for the global environment, the GEF Council approved an initiative known as “expanded opportunities for executing agencies” in May 1999. Four regional development banks, namely, the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development and the Inter-American Development Bank, were given the status of executing agencies, thereby enhancing their direct participation in the preparation and execution of GEF-financed projects.[12] In May 2000, the United Nations Food and Agriculture Organization and the United Nations Industrial Development Organization became executing agencies of the GEF due to their specific expertise in newly emerging areas for GEF activities.[13] Twelve months later, the International Fund for Agricultural Development[14] also became an executing agency of the GEF. The GEF currently operates on the basis of the work of the three IAs on its regular programme and with seven EAs, under the “expanded opportunities” policy to cover specific business needs on the basis of their substantive comparative advantages.[15]

VI. GEF CLIMATE CHANGE ACTIVITIES

A. Operational strategy and programmes

47. The GEF adopted in 1996 an operational strategy to structure its activities. GEF operations regarding climate change fall into the interrelated categories which are specified below:

(a) Enabling activities, which represent a basic building block of GEF assistance to countries. Some of these will be "agreed full cost" activities in support of country obligations under Article 12.1 of the Convention (national communications); others will be "agreed full incremental cost" activities for other relevant commitments. Funding for climate change enabling activity projects was launched by the GEF in response to guidance from COP 1[16] requesting that the GEF give priority to supporting non-Annex I Parties in meeting their commitments under the UNFCCC;

(b) Mitigation measures, which lead to the reduction of greenhouse gas emissions from anthropogenic sources or protect or enhance removal of such gases by sinks. Mitigation projects are developed under long-term operational programmes (OPs), which are in accordance with the initial three programme priorities approved by the COP, namely:

(i) Removal of barriers to energy conservation and efficiency (OP-5);

(ii) Promotion of the adoption of renewable energy by removing barriers and reducing implementation costs (OP-6);

(iii) Reduction of the long-term costs of low greenhouse gas-emitting energy technologies (OP-7);

(c) During 1999, two new operational programmes were approved by the GEF Council. They are (i) promotion of environmentally sustainable transport (OP-11)[17] and (ii) integrated ecosystem management (OP-12). Projects implemented under the multi-focal area (OP-12) are of a cross-sectoral nature, addressing ecosystem management in a way that optimizes ecosystem services, ecological, social

---

[12] Joint Summary of the Chairs, GEF Council Meeting, 5–7 May 1999, p. 2.
[13] GEF Business Plan FY03-05 in GEF/C.19/10, 17 April 2002 table 1, p.18.
[14] Joint Summary of the Chairs, GEF Council Meeting, 9–11 May 2001, p. 6.
[15] GEF Business Plan FY03-05 in GEF/C.19/10, 17 April 2002 table 1, p.18.
[16] Decision 11/CP.1.
[17] GEF Operational Program 11, Promoting Environmentally Sustainable Transport, September 1999.

as well as economic ones, encompassing simultaneously biodiversity and climate change objectives, such as carbon sequestration;

(d) Short-term response measures in the form of high priority projects which are in neither of the categories above, but yield climate change benefits at low cost;

(e) Adaptation activities which minimize the adverse effects of climate change. The GEF presently meets the "agreed full costs" of relevant adaptation activities (stage I adaptation activities) undertaken in the context of the formulation of national communications. Guidance for funding of adaptation activities beyond stage I has been provided by the COP. In the medium and long term, subject to COP guidance, the GEF could finance agreed and eligible activities, including further capacity-building, undertaken to prepare for adaptation, as envisaged in Article 4.1(e), as well as measures to facilitate adequate adaptation, including insurance, and other adaptation measures as envisaged in Article 4.1 (b) and 4.4;

(f) The Small Grants Programme. UNDP administers this project, which offers grants of up to $50,000 to eligible projects.

48. In April 1996, the GEF Council approved its policy concerning public involvement in projects financed by the GEF. In approving the policy, the Council requested the GEF Secretariat to work with IAs in preparing operational guidelines for public involvement, namely: (a) to place emphasis on local participation and stakeholders; (b) to consider specific local conditions; and (c) to ensure that public involvement is consistent with provisions in the GEF Instrument.

B. The GEF project cycle

49. The GEF project cycle comprises four major phases of activity that are managed by the implementing agencies: (i) project concept development; (ii) project preparation; (iii) project appraisal; and (iv) project approval and implementation supervision. Progression from one phase to another in the project cycle is through three discrete GEF decision or review points involving the Secretariat: (i) concept agreement review; (ii) work programme inclusion review; and (iii) CEO endorsement review. At the review points, documented proposals are considered on the basis of the GEF project review criteria by the Secretariat, CEO, or Council.

50. The GEF Council has approved a number of policies and procedures that have modified the project cycle. These include: (i) the adoption of the operational strategy; (ii) the modified role for the GEF operations committee; (iii) the adoption of expedited procedures for enabling activities and medium-sized projects and the enhancement of CEO approval authority up to $1 million for medium-sized projects; (iv) the approval of the policy for targeted research; (v) the selective delegation to the Secretariat of the project endorsement review; (vi) the expansion of opportunities for selected executing agencies; (vii) the strengthened country involvement in estimating incremental costs; and (viii) the advance publication of the GEF pipeline to facilitate reviews in member countries.

51. In 2000 the CEO of the GEF initiated further action to streamline GEF operations with a view to improving operational efficiency and balancing the focus between project preparation and project implementation to ensure quality implementation of, and achievement of results from, GEF actions.

52. Project processing steps and documentation are determined by the type of project, which is basically a function of size. All projects must show conformity with one of three programme types:

(a) Regular projects: these are projects which may satisfy the requirements either of an operational programme or of short-term response measures, go through each step of the GEF project cycle and are approved by the Council;

(b) Medium-sized projects: they are projects which must require not more than $1 million in GEF funds, and go through an expedited processing, where approval has been delegated by the Council to the CEO;

(c) Enabling activities: these projects require less than $450,000[18] in GEF funds, are designed following the *Operational Guidelines for Enabling Activities*, and go through an expedited processing where approval has been delegated by the Council to the CEO and, while those requiring more than $450,000 are treated like regular projects and follow regular project processing procedures.[19]

53. Project Preparation and Development Facility (PDF).[20] Financing for project preparation is available in three categories or "blocks." Block A (PDF-A) grants (up to $25,000) fund the very early stages of project or programme identification, and are approved through GEF implementing agencies. Agencies operating under the policy of “expanded opportunities for executing agencies” do not have access to the PDF-A at this stage of the project cycle. While PDF-A funding is available for preparing medium-sized projects, no PDF funding is available for enabling activity projects under expedited procedures requesting no more than $450,000. Block B (PDF-B) grants (up to $350,000) fund information gathering necessary to complete project proposals and provide necessary supporting documentation. These grants are approved by the GEF CEO,[21] taking into consideration the GEF operations committee's recommendations. PDF resources should normally complement other sources of finance for preparation of a project proposal. Block C grants (up to $1 million) provide additional financing, where required, for larger projects to complete technical design and feasibility work. Block C grants are normally made available after a project proposal is approved by the GEF Council. PDF-C resources should normally complement other sources of finance for preparation of a project proposal.

54. To further streamline the project cycle, the GEF Council in 2000 approved revisions whereby the CEO is authorized to approve PDF-B resources for projects requiring preparation in multiple countries up to a ceiling of $700,000. He is also authorized to approve PDF-C resources up to a ceiling of $1million. All technical comments by Council members on project proposals will be submitted to the GEF Secretariat in writing within four weeks of the circulation of the proposed work programme to the Council.

55. It was also agreed that country endorsement by the national operational focal point provided at the time a request is submitted for GEF PDF-B funding will suffice as the country endorsement for the project proposal submitted for inclusion in the work programme, unless the national focal point specifically requests that a second endorsement be sought prior to such inclusion. The Secretariat may also request the implementing agency to seek a second endorsement prior to inclusion of the project proposal in the work programme (i) if the Secretariat determines that the project design has fundamentally changed between the PDF-B request and the project proposal submission, or (ii) when there are specific country commitments in the project proposal that require confirmation.

---

[18] This includes the amount of up to $100,000 provided to Parties for the implementation of capacity building activities in priority areas identified by decision 2/CP.4 under expedited procedures.

[19] GEF Project Cycle. GEF/C.16/Inf.7, 5 October 2000.

[20] For details on PDFs, refer to GEF/C.3/6, “The Project Preparation and Development Facility”.

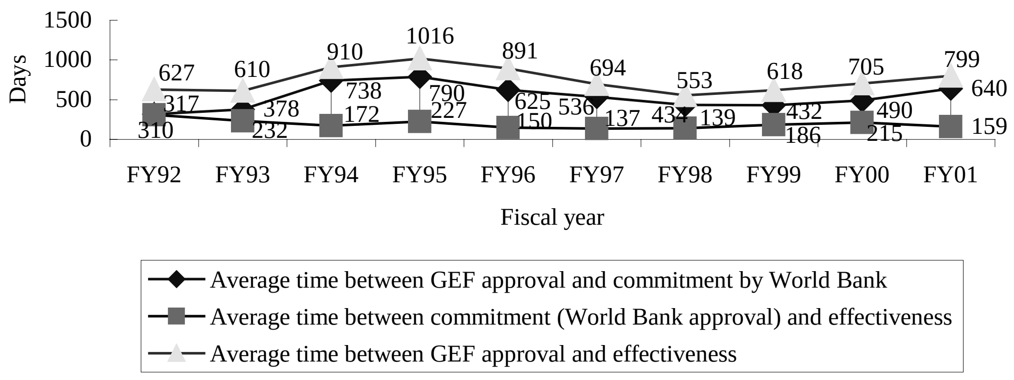
[21] PDF-B grants for those projects that have entered the GEF pipeline will be circulated for review and for CEO approval within five working days on a rolling basis.

Time from allocation to implementation

56. Over the years, Parties have repeatedly expressed concern about the long preparation time for GEF projects and the lack of transparency and feedback during the initial phases of the project cycle. In 2001, the COP invited the GEF to continue to minimize the time between the approval of project concepts, the development and approval of related projects, and disbursement of funds by its implementing and executing agencies to the recipient countries of those projects.

57. The 2001 Project Implementation Review analysed the average use of time at the various initial steps of project initiation. It noted that for World Bank GEF projects, the downward trend in elapsed time from GEF Council to Bank management approval observed from 1995, changed to a rising trend between 1998 and 2001 (see figure 1). The reasons for the lengthy delays in effectiveness appear to be project- or country-specific rather than systemic. These include the fulfilment of legal requirements set by the Bank, such as legislative actions, co-financing arrangements and changes in government often affecting project officials and establishment of institutional arrangements for project implementation.

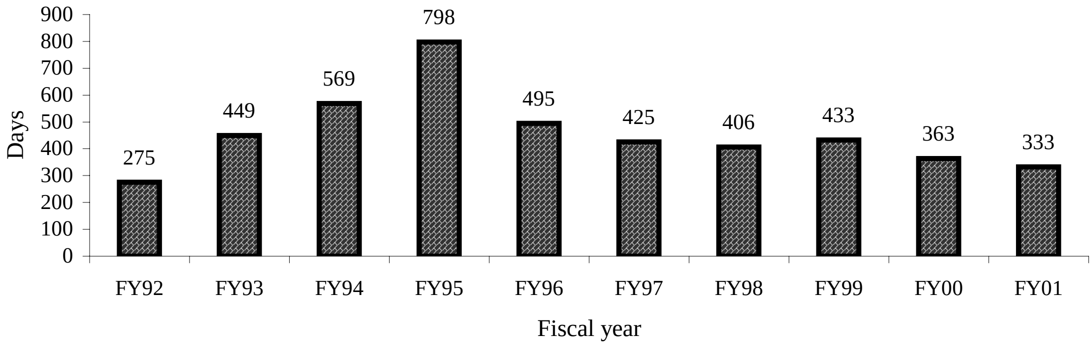
Figure 1: Average time between GEF allocation, commitment and effectiveness for World Bank projects, by fiscal year of commitment



Source: "2001 project performance review," GEF/C.19/Inf.6, 19 April 2002.

58. In the case of UNDP (figure 2), the years since 1995 have seen a significant decrease in the average elapsed time from GEF Council approval to the beginning of implementation (project agreement signature). This trend continued during FY2001. It took on average 333 days from GEF approval to project agreement signature for the 13 projects that obtained UNDP project agreement signature in FY2001. This is a reduction of 30 days since FY2000, and a reduction to less than half since FY1995.

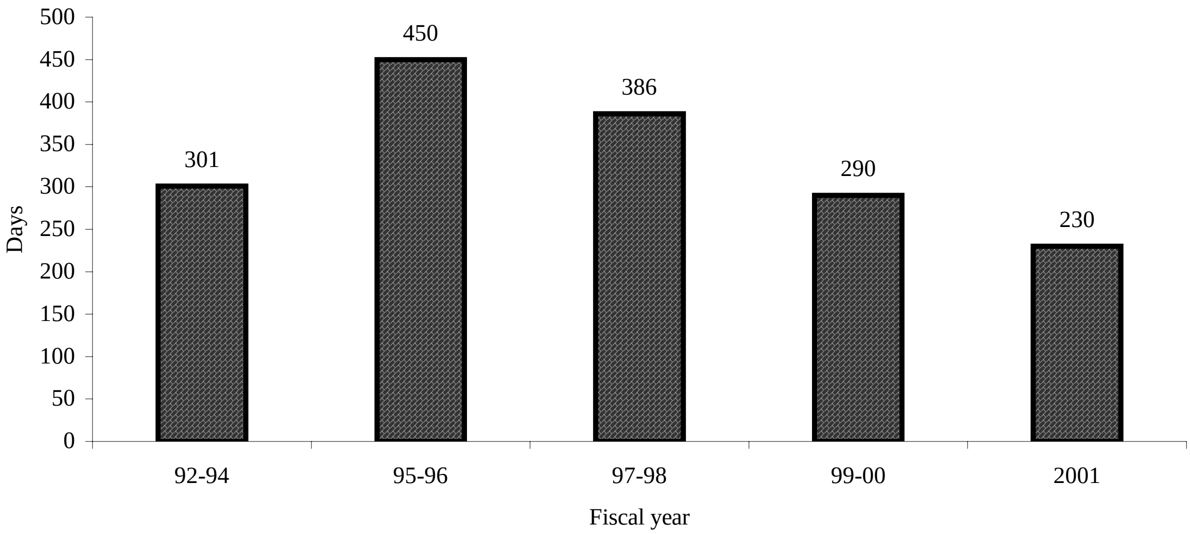
Figure 2 : Average time (days) between GEF approval and project agreement signature for UNDP GEF projects, by fiscal year of project agreement signature



Source: "2001 project performance review," GEF/C.19/Inf.6, 19 April 2002.

59. Since the number of UNEP projects is rather limited, only aggregated analysis is possible. Figure 3 shows the overall trend in processing time for full projects. Data are basically averaged for every two years. There was a further decrease in UNEP projects' average processing time, to 230 days for 2001.

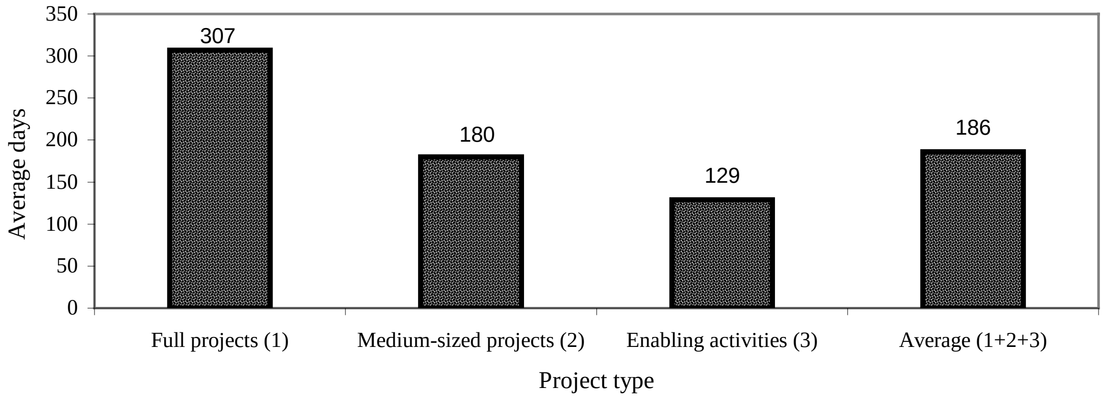
Figure 3: Average processing time from GEF approval to project internalization for UNEP GEF projects, by fiscal year



Source: "2001 project performance review," GEF/C.19/Inf.6, 19 April, 2002.

60. Figure 4 shows the difference in processing time by project type. While on average 307 days are necessary for a full project to be effected, much less time is necessary for a medium-sized project (180 days) and an enabling activity (129 days).

Figure 4: Average time between GEF approval and project implementation by UNEP, by project type, 1992 to 2001



Source: "2001 project performance review," GEF/C.19/Inf.6, 19 April 2002.

C. GEF funding of climate change activities

61. The distribution of total GEF allocation for the period 1991–2002[22] by focal area is: biodiversity (40.4 per cent), climate change (37.1 per cent), international waters (13.5 per cent), ozone depletion (4.9 per cent), and multiple focal areas (4.1 per cent). For the fiscal years 1999–2002, GEF financing for climate change activities as a percentage of the total GEF programme allocation has been 27 per cent, 40 per cent, 38 per cent and 35 per cent, respectively (see figure 5).

62. For the period 1991–2002, the GEF has provided approximately $1.5 billion in grants for climate change projects and has leveraged more than $5 billion in co-financing for climate change projects.[23] The total number of projects in the climate change portfolio currently stands at 393. The distribution of projects by geographical region and project type is illustrated in figure 6.

63. Operational programme 5 relates to the removal of barriers to energy conservation and energy efficiency; operational programme 6 is on promotion of the adoption of renewable energy by removing barriers and reducing implementation costs; operational programme 7 addresses the issue of reducing the long-term costs of low greenhouse gas-emitting energy technologies; and operational programme 11 is on promoting environmentally sustainable transport.

64. The projects relating to energy efficiency and conservation (OP-5) include demand-side management, boiler conversion, buildings, capacity-building and efficient lighting. Projects on the promotion of renewable energy (OP-6) include solar photovoltaics, water heating, wind, geothermal, mini-hydro, substitution of wood fuels and capacity-building. Projects relating to reduction of the

[22] Data from the GEF Secretariat.
[23] Report of the GEF to the eighth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/2002/4).

long-term cost of greenhouse gas-emitting technologies (OP-7) include the integrated gasification combined cycle technology, biomass power commercial demonstration, solar thermal electric, hybrid solar thermal power plant, solar-based thermal power plant and photovoltaic cells. The fuel cell bus projects which were originally conceived under this OP, have been shifted to OP-11. OP-11 projects, which are on sustainable transport, include hydrogen fuel cell buses for urban transport, introduction of viable electric and hybrid electric bus technology, urban planning, and modal shift.

Figure 5: Approved GEF projects by focal area for fiscal years 1999 to 2002

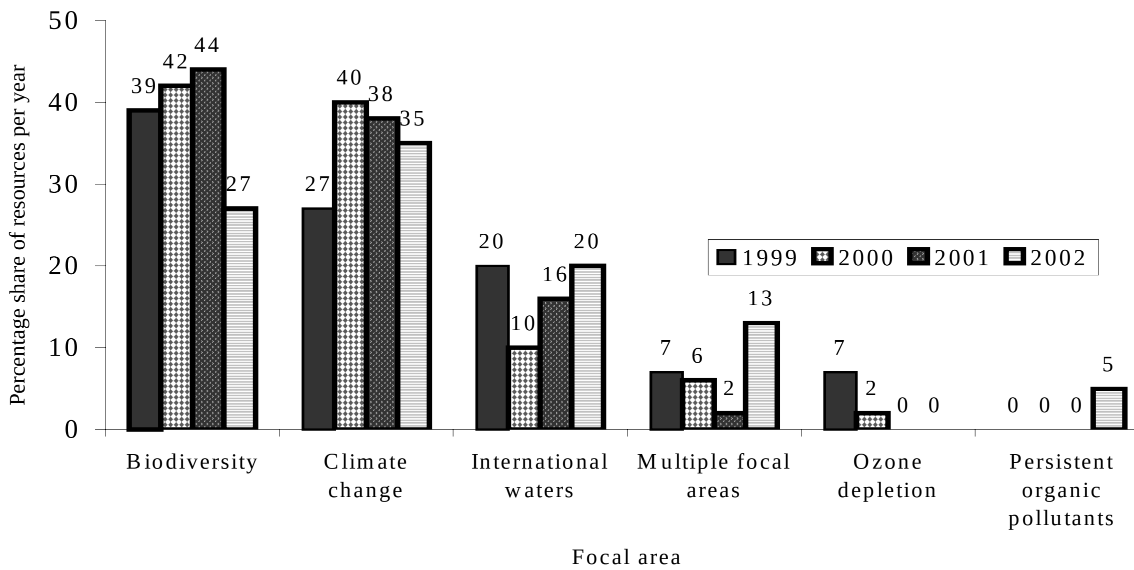
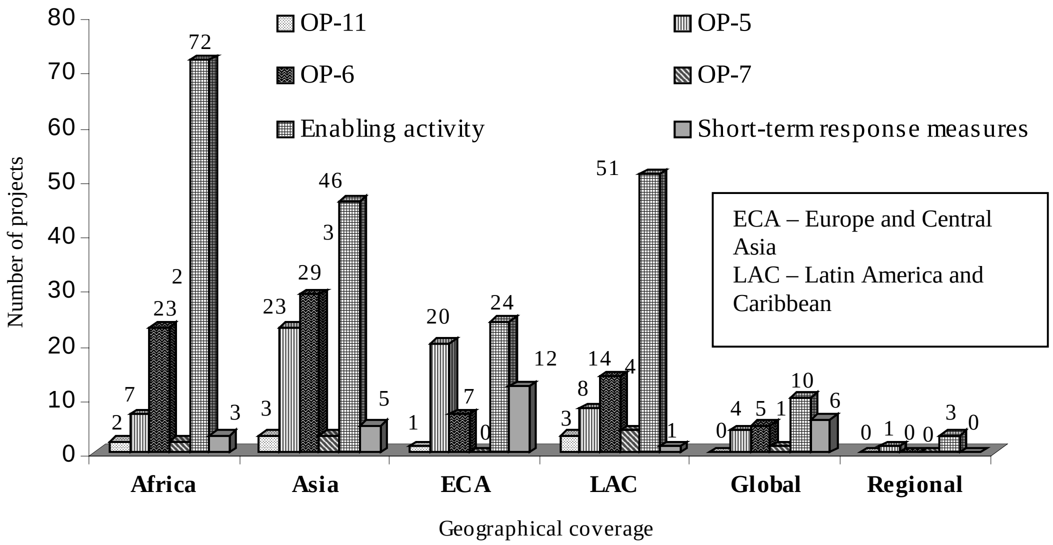


Figure 6: Distribution of GEF total climate change portfolio by type 1991 to 2002



65. During the review period (July 1998 to May 2002) total project financing for climate change activities exceeded $3.677 billion, of which GEF provided $648 million in grant financing and $3.029 billion was leveraged in co-financing for the project activities from IAs, bilateral agencies, recipient countries and the private sector (see figures 7 and 8).

Figure 7: GEF grants (million US dollars) for project activities by type for fiscal years 1999 to 2002

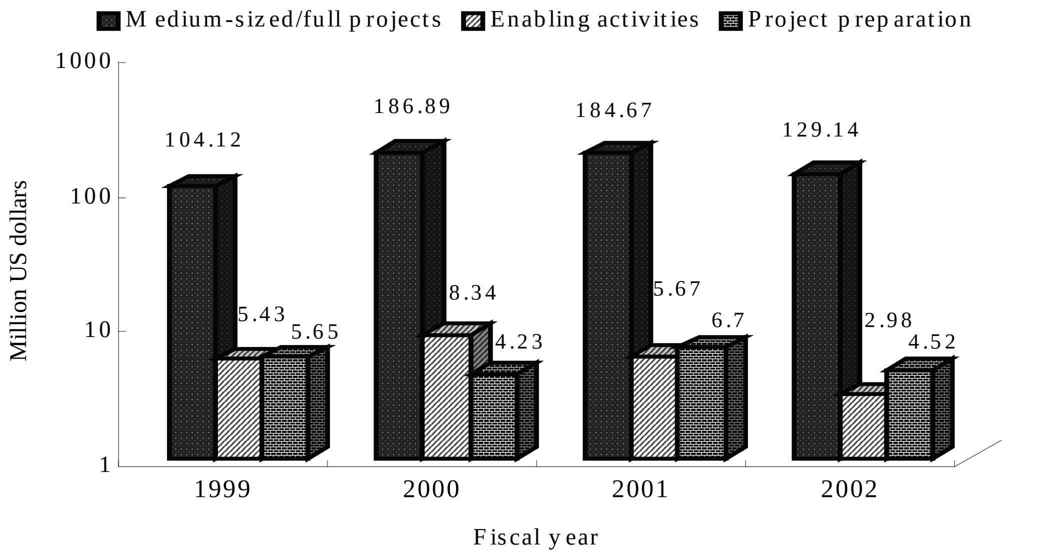
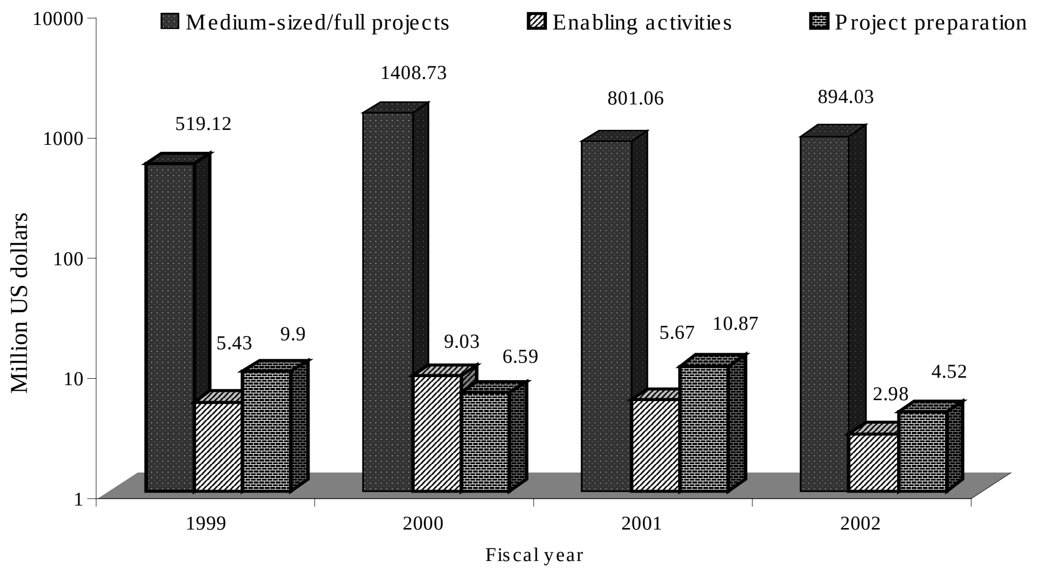


Figure 8: Total project financing (million US dollars) by project for fiscal years 1999 to 2002



VII. EVALUATION OF GEF CLIMATE CHANGE PORTFOLIO

A. Introduction

66. The GEF has commissioned several studies designed to evaluate the performance of its climate change programme, which are relevant to this review. They include:

(a) "The Global Environment Facility: independent evaluation of the pilot phase" (1994);

(b) "Study of GEF's overall performance"(1998);

(c) The annual project performance reports;[24]

(d) The solar PV review;[25]

(e) "Measuring results from climate change programs: performance indicators for GEF";[26]

(f) The review of climate change enabling activities;[27]

(g) "Climate change program study: synthesis report";[28]

(h) The medium-sized projects evaluation;[29] and

(i) The second overall performance study (OPS-2), completed in January 2002.[30]

B. Climate change enabling activities

67. In February 2000, the GEF launched a review of its enabling activity portfolio for climate change,[31] at a time when the GEF had provided funding for over 130 national projects and 10 regional/global climate change enabling activity projects. The review however closely examined 18 enabling activity projects. The objective of the review was to examine: (i) the effectiveness of the enabling activity modality; (ii) the effectiveness and efficiency of both GEF approval and national execution processes; (iii) influence on broader capacity-building and/or planning in countries through the

---

[24] For PPR 1999, see GEF/C.15/10 (April 2000); for PPR 2000, see GEF/C.17/8 (April 2001) and for PPR 2001, see GEF/C.19/Inf.6 (April 2002). These are annual publications including the project implementation review that provide detailed assessments of all GEF completed projects and ongoing projects which have been under implementation for a two-year period.

[25] Martinot, Ramankutty and Rittner, The GEF Solar PV Portfolio: Emerging Experience and Lessons. Monitoring and Evaluation Working Paper 2 (August 2000). This is an in-depth analysis of the biggest cluster of projects in the focal area.

[26] Measuring Results from Climate Change Programs: Performance Indicators for GEF. Monitoring and Evaluation Working Paper 4 (September 2000). This work has led to the development of a framework for determining the impacts of GEF climate change activities.

[27] See Review of Climate Change Enabling Activities. Evaluation Report. GEF/C.16/10. 3 October 2000.

[28] Climate Change Program Study. Synthesis Report. GEF/C.17/Inf.5 (26 April 2001). A complete review of the programme as part of the preparations for the OPS-2.

[29] Medium-Sized Projects Evaluation. Evaluation Report 2001. GEF/C.18/Inf.4 (6 November 2001). The first formal study of this new modality for expedited processing of medium-sized proposals since it was created by the GEF Council in April 1996.

[30] The First Decade of the GEF. Second Overall Performance Study of the GEF (25 January 2002).

[31] Review of Climate Change Enabling Activities. Evaluation Report. GEF/C.16/10 (October 2000).

preparation of the initial national communication process; and (iv) best practices for the implementation of enabling activity projects from country experiences.

68. As inputs to the GEF review of enabling activities referred to above, several issues were raised within statements and submissions of Parties.[32] These include the need to extend the scope of the review, availability and timeliness of financial and technical support, timely completion of initial national communications, operational issues relating to the enabling activity project review and approval process, guidelines for second national communications and transfer of technology.

Findings and recommendations of the GEF evaluation report on the review of enabling activities

69. The evaluation report on the review of enabling activities indicated that, since only a very limited number of projects had been completed at the time of the review, its findings may not be fully representative of the actual performance and achievements across the whole portfolio. It also stated that its findings were not to be considered as representative of the final results and impacts in all the 115 host countries. The review however took into consideration the views of Parties on enabling activities.[33]

70. The report noted that support provided by the GEF for climate change enabling activities has substantially contributed towards assisting non-Annex I Parties in meeting their communication commitments under the UNFCCC, in spite of the complexity of the task and the difficulties encountered in implementing the enabling activity projects. The quality of the documents produced under the enabling activity projects was satisfactory and, in some cases, the quality of the documents was impressive in spite of the limitations of funding and time.

71. It also observed that GEF-financed enabling activities are neither a clear step in the direction of sustainable capacity-building, nor have they helped countries prepare to develop policies and strategies required to deal with climate change. Supporting this finding, the review also found that the countries had higher expectations for capacity-building than what the enabling activity projects could offer.

72. With regard to the consultation process for the formulation of future operational guidelines for enabling activity projects, the evaluation recommended that the GEF should establish a better consultative process which should involve the implementing agencies and technical experts from recipient countries in the finalization of the guidelines. A more balanced approach, with appropriate stakeholder participation and consultation and an assessment of national priorities, should be part of the "country-drivenness" of project proposals.

73. It also observed that greater precision in COP guidance and GEF guidelines could go a long way towards removing ambiguities associated with the definition of terms such as enabling activity, capacity-building, etc. to facilitate a uniform application of the guidelines.

74. The review recommended that additional efforts are required by the GEF and its implementing agencies to further streamline the processing of enabling activity projects. It noted that there is scope for improvement in the capacity of UNDP and UNEP staff in supervising project implementation, a deficiency which can be addressed by engaging appropriately qualified staff members. UNDP and UNEP should expand the practice of hiring competent regional experts, or supporting regional centres of excellence, to assist recipient countries in addressing technical issues related to the implementation of enabling activities.

---

[32] FCCC/SBI/1999/INF.10.

[33] Review of Climate Change Enabling Activities. Evaluation Report. GEF/C.16/10 (October 2000).

75. According to the report, additional resources should be made available for enhancing the capacity-building component of enabling activity projects, through the participation of country representatives in international seminars and workshops, as well as the broadening of technical training to include different groups of participants.

76. In order to enhance and sustain the institutional arrangements for the implementation of enabling activity projects, and to ensure an appropriate integration of climate change concerns into planning activities, the review recommended that :

(a) The highest political support should be given to preparation and implementation of projects;

(b) Appropriate information materials should be developed within the framework of enabling activity projects to raise the awareness of decision and policy makers.

77. The report also suggested that it is critical for the GEF to launch regional projects aimed at improving emission factors and activity data, and establish an effective process for enhancing experience sharing among regions.

78. As regards capacity-building, it recommended that a more strategic and long-term programmatic approach for enabling activities should be established by the GEF in the future. In that respect, it is recommended that the COP provide clear guidance on the scope of the capacity-building aspect of the enabling activities.

C. Climate change medium-sized and full projects

Introduction

79. The GEF Council approved a proposal for medium-sized projects in April 1996. These MSPs were intended as smaller and more rapidly implementable projects in comparison to the full GEF projects. The maximum funding ceiling for each project was originally $750,000 but was later revised to $1 million. MSPs have expedited procedures that encourage greater participation from non-official institutions and civil society groups, particularly NGOs. As at 30 June 2001, GEF had approved a total outlay of $21.6 million towards climate change MSPs. Medium-sized projects were subjected to a full evaluation in 2001, as an input to the OPS-2. By June 2001, the GEF had provided $1,118 million in grants for 123 full-size projects, representing 36.2 per cent of GEF financing for all its focal areas.

Medium-sized project evaluation

80. The MSP evaluation[34] concluded that it was still too early to ascertain their precise impact on the global environment within the three focal areas, since the majority of MSPs are yet to be completed. However, there are clear indicators of impressive progress in terms of capacity development, innovation and use of new methodologies, awareness raising, and prospects for sustainability. MSPs have leveraged significant co-financing, created conditions for replication, and have increased the profile of global environmental priorities and obligations within national government policy and planning processes. MSP projects have been particularly successful in creating synergy with sustainable development activities at the national level, including bringing about livelihood and income opportunities for key stakeholders.

81. The MSP evaluation acknowledges that, though measurement is difficult, it is very likely that the overall impact per GEF dollar invested in MSPs compares favourably with investments in many larger

[34] Medium-Sized Projects Evaluation. Evaluation Report 2001. GEF/C.18/Inf.4 (6 November 2001).

projects of either the GEF or other donors. However, there have been widespread complaints from country partners in regard of the length of processing time for MSP proposals, suggesting that original expectations in respect of expedited processing have not been met. The MSP evaluation provided an analysis of the factors responsible for the extended and often erratic processing times and longer project cycles. These include:

(a) Variations in the capacities of the UNDP and World Bank country offices to initiate and facilitate MSPs;

(b) Delays in obtaining MSP endorsements from national operational focal points for NGO-executed projects;

(c) The involvement of new and inexperienced country partners that require more extensive IA inputs to enable them to navigate through GEF programme priorities and operational procedures (including the incremental cost calculation);

(d) Unclear and sometimes conflicting technical reviews from different sources in the IAs and the GEF Secretariat that have added considerably to processing time;

(e) Adjustments in legal, procurement and disbursement procedures of IAs to fit smaller projects in remote locations.

The climate change programme study

82. In 1999 the GEF secretariat commissioned a study to develop programme performance indicators to facilitate the assessment of the results and impacts of GEF-funded climate change activities. The study team developed seven programme level indicators based on research and consultations with interested stakeholders. The indicators are:

(a) Energy production or savings and installed capacities;

(b) Costs per technology unit or measure installed;

(c) Business and supporting services development;

(d) Financing availability and mechanisms;

(e) Policy development;

(f) Awareness and understanding of technologies;

(g) Energy consumption, fuel-use patterns and impacts on end-users.

83. In June 2000, the GEF initiated a climate change programme study involving 120 projects in 60 countries in the areas of energy efficiency and renewable energy and to a lesser extent sustainable transport, covering medium-sized and full projects.[35] The study was designed to respond to four questions:

(a) Are activities relevant to country needs and global objectives?

(b) What are the most significant implementation issues and lessons?

(c) What are the impacts or likely impacts of GEF projects?

---

[35] Climate Change Program Study. Synthesis Report. GEF/C.17/Inf.5, 26 April 2001.

(d) What are the factors influencing sustainability and replication?

Impacts and results

84. The impacts and results involving medium-sized and full projects were evaluated within the frameworks of the GEF climate change programme study[36] and the second overall performance study of the GEF.[37] Although the climate change programme was initiated by the GEF monitoring and evaluation programme as a technical input to the work of the OPS-2 the two evaluations used slightly different approaches in the assessment of impacts and results of the climate change project portfolio. The climate change programme study assessed the impacts and results of the projects using the seven core performance indicators in the context of specific applications clusters. The identified clusters were energy-efficient products, grid-connected renewable energy, off-grid solar PV, energy service companies, and other applications. These clusters however do not strictly correspond to the operational programmes. It is therefore not possible for this review to assess the impacts by operational programmes.

85. The climate change study noted that impacts at the project level are slow in emerging, because only 28 projects in the climate change portfolio have been completed. Another 15 have been under implementation for only two years but have recorded significant impacts.

86. The OPS-2 noted that the medium-sized and full projects have demonstrated a wide range of approaches to promoting energy efficiency and renewable energy. It observed that, while early efforts focused on technology development and demonstration, more recent projects have targeted market development, demonstration of sustainable business models, financing mechanisms, or demand-side incentives.

Technology development and demonstration

87. In respect of technology development and demonstration, the study noted instances where GEF projects have greatly expanded early development processes or increased demonstration capacities, allowing certain technologies to compete in important national markets as well as at international level. These include the development of coal-bed methane resources in China, where a GEF-funded project led to the commercialization of this technology in China, with a positive impact in China as well as in other international markets.[38] Similar experiences have been documented with the adaptation of gasifier and gas turbine systems to burn biomass fuels, along with associated techniques for collecting and handling such fuels. In Brazil, two funded projects have brought the technology to the threshold of commercial demonstration in the country.

88. Other important renewable technology impacts were the demonstration of new, grid-connected, renewable technologies in India, biogas power from sewage treatment plants in India; wind power in India, and bagasse-based power generation in Mauritius. Off-grid solar photovoltaic systems for rural electrification have received significant support from the GEF climate change portfolio.[39]

Market-oriented approaches

89. The study further noted that the GEF has been successful in developing and/or promoting a whole range of energy efficient equipment, products and systems through market-oriented interventions. GEF projects have also been successful in promoting a range of innovative financing schemes applied to

---

[36] Climate Change Program Study. Synthesis Report. GEF/C.17/Inf.5, 26 April 2001.
[37] The First Decade of the GEF. Second Overall Performance Study of the GEF. 25 January 2002.
[38] OPS-2, box 3.2 in p. 16.
[39] OPS-2, p. 16.

energy efficiency. The GEF has also assisted in the establishment of viable energy service companies in Tunisia and China.[40]

Policy development

90. Even though the OPS-2 recognizes that the GEF potential for influencing policy is much greater than what has so far been achieved,[41] it has identified significant impacts and results related to policy developments, particularly in setting up national codes and standards and developing specialized regulations. National codes for installing solar PV systems in Zimbabwe, national quality standards for high-efficiency lights in Mexico, mandatory labelling on refrigerators in Thailand, national standards for refrigerators in China and building codes in Senegal are some examples of concrete results brought about by GEF interventions in those countries. Another significant impact is the development, as a result of GEF projects, of power-purchase agreements for private power supply systems. This important mechanism, with varied policy implications, can be found at different stages of development in Jordan, Mauritius and Sri Lanka.[42]

91. The OPS-2 noted that the implementation of these projects had led to the creation or strengthening of a variety of institutions. An example of this is the strengthening of a Thai utility company by creating a demand-side management office, which led to the bulk procurement of efficient lights and major price reductions throughout the country.

D. The GEF Small Grants Programme

92. The GEF Small Grants Programme (SGP) launched in 1992 is currently being implemented by UNDP in 61 countries. The SGP is based on the rationale that global environmental problems can be addressed in a more sustainable manner when local people and communities are actively involved. Small, strategically targeted projects can contribute to solving global environmental problems while enhancing the livelihood security of local people. For its pilot phase (1992–1996), the programme received $8.2 million and for the first two years (1996–1998) of its operational phase, the GEF Council approved a further $24 million. The grant allocation to climate change as a percentage of total grants for all focal areas is 17 per cent for the pilot phase and 19 per cent for the operational phase.

93. Evaluations[43] carried out on the programme suggest that national institutional arrangements for management of the programme under the overall supervision of UNDP are generally functioning effectively. The main constraint faced by SGP relates to meeting non-grant management costs. The extremely stringent budgetary rules on management overheads allow little flexibility for the national coordinator to carry out adequate information services and provide research support for improving the programme’s focus and targeting and initiating proactive partnership building and cross-learning. This is particularly true of countries where co-financing for the SGP has not yet been successful.

94. To the extent that SGP projects have generated wide stakeholder participation, built local capacity in project management, successfully raised significant co-financing (in a number of cases from UNDP development funds), and routinely involved income-generating activities, their chances of sustainability are good. However, it is important to ensure that the income-generating components of

---

40 OPS-2, p. 16.

41 OPS-2, p. 21.

42 OPS-2, p. 21.

43 Second Independent Evaluation of the GEF Small Grants Programme: The Transition to an Operational Phase. Volume I: Main Report, New York, 8 May 1998 and GEF/C.17.Inf.16, 27 April 2001: Report to the GEF Council on the progress made in implementing the Small Grant Programme in year 2 of the Second Operational Phase.

SGP projects are based on good feasibility studies and incorporate business-oriented management approaches.

95. The second independent evaluation of the SGP (1998)[44] concluded that the programme occupies a unique and valuable niche within the GEF and that it would be appropriate for the Programme to be expanded so that it is accessible in all countries that meet the criteria for its implementation.

E. Cross-cutting and institutional issues

Sustainability and replication

96. With only about 28 completed projects in the climate change portfolio, it is difficult to assess further replication and sustainability of project results. Replication of project results is quite limited so far, as discussed above, and has not been systematically addressed in project design. A number of factors can inhibit project replication. For example, the energy efficiency project in Jamaica *(Demand-Side Management Demonstration)* developed a demand-side management unit in a public utility, but the utility is being taken over by foreign investors whose interest in continuing demand-side management project activities was uncertain at the time of the OPS-2 visit. Subsidy schemes can be difficult to replicate, as illustrated by the doubtful viability of the consumer fund created by the Zimbabwean PV project *(Photovoltaics for Household and Community Us*e), the PV project in Uganda *(Photovoltaic Pilot Project for Rural Electrificatio*n), and the energy efficiency project in Senegal *(Sustainable Participatory Energy Managemen*t) that provided major subsidies to a private hotel for efficient lighting and retrofit measures, with no evidence available to an OPS-2 team that the gains from this project will be replicated after project completion. Perhaps one of the most important factors inhibiting replication, given the important role of the private sector in energy production and in the production of energy-consuming products, is the lack of an enabling environment for business in some client countries and the frequently low involvement of the private sector in GEF projects.

Sustainability

97. Factors promoting sustainability of projects include:

(a) Demonstration of sustainable business models;

(b) "Market transformation" approaches, whereby viable markets have been developed for energy efficient products;

(c) Voluntary agreements with the private sector to eliminate inefficient products from the market;

(d) Establishment or precedents of new legal frameworks for establishment of ESCO businesses.

Factors that can negatively influence sustainability are:

(a) Privatization of power utilities without consideration of the future existence and role of demand-side management units;

(b) Short-term power-purchase tariffs for grid-based renewable energy, holding it hostage to fluctuations in conventional fuel prices;

---

44 Second independent evaluation of the GEF Small Grants Programme: The Transition to an Operational Phase. Volume I: Main Report, New York, 8 May 1998.

(c) Consumer finance and rural business dependence on project resources, without creating viable and sustainable commercial sources;

(d) Project implementation arrangements that do not demonstrate business models, but fall into an "equipment installation and demonstration" role.

Replication

98. In addition to the mainstreaming and co-financing issues, one of the very important factors in assessing GEF performance is its impact through the replication of GEF-funded projects under other financial and operational modalities. It is difficult to ascertain the extent of such replication since it is not being systematically monitored in the GEF. However, there is some encouraging evidence from several completed and ongoing projects. It should also be remembered that, because completed projects are still few, it will take time before one can begin to monitor and assess replication effects.

99. The impact of the climate change portfolio projects will ultimately depend on the extent of replication. Since only 28 projects have been completed so far, the direct impact on global environmental objectives is limited. Examples of some projects that have been successfully replicated are the *Decentralized Wind Electric Power for Social and Economic Development* project in Mauritania, the *Promotion of Electricity Energy Efficiency* project in Thailand and the *Development of Coal-bed Methane Resources in China.* The last-mentioned project has not only led to replication in China via a newly established intermediary institution and widespread dissemination of information about the technology internationally, but the project's sustainability seems assured as it has led to the development of an apparently viable commercial company.

100. The OPS-2 concluded that replication of successful approaches should be facilitated by programmatic approaches and knowledge sharing between projects and other stakeholders.

Incremental costs and co-financing[45]

101. One of the main features of GEF support for the implementation of the global environmental conventions relates to "financing agreed incremental costs of measures to achieve global environmental benefits.[46] This principle has assisted the GEF in obtaining co-financing for its activities. However, significant efforts are still needed to enable various stakeholders to use this concept in project design, preparation and implementation. To this end, the OPS-2 noted the need for better operational guidance, improved communications and greater consistency in the application of the incremental costs concept.

102. Co-financing of GEF projects is critical because it brings additional resources to the goal of obtaining global environmental benefits and strengthening links between activities that address sustainable development issues and global environmental benefits. Co-financing can be measured at two levels: (i) the ratio of non-GEF resources to GEF resources, termed the total co-financing ratio and (ii) the ratio of implementing agency co-financing to GEF resources, termed the IA co-financing ratio. The former is an indicator of the total co-financing leverage, while the latter is one of the indicators of the extent of mainstreaming in the implementing agencies, as it reflects the commitment of IA resources.

---

45 The First Decade of the GEF. Second Overall Performance Study of the GEF. 25 January 2002.

46 Instrument for the Establishment of the Restructured GEF, 1994.

103. The OPS-2 further proposed that, in seeking to maximize global environmental benefits, the GEF should emphasize its catalytic role and leverage additional financing from other sources.[47] It however noted that the database for reporting on co-financing in GEF is surprisingly weak.

104. The OPS-2 reviewed the 28 climate change projects that had been completed by 30 June 2000, most of which had been approved during the GEF pilot phase. The 28 completed projects[48] attracted a total GEF funding of $152.4 million and although the IAs had planned to leverage GEF resources by a total factor of 10.8 times ($1,651.8 million), the actual total co-financing ratio was 9.76 times ($1,448.8 million). The level of leverage is high, particularly when compared with the amounts leveraged in other focal areas, where the overall ratio actually achieved was 3.46. However, a large percentage of resources leveraged by the IAs was in connection with only two big investment projects.

105. The OPS-2 deemed the overall GEF performance in co-financing to be surprisingly modest, particularly since only a few projects account for most of the total co-financing generated under the completed projects,[49] and concluded that total co-financing levels for the GEF portfolio must be improved.[50] The report further stated that, as the GEF is now entering a new phase in its development, with an excess of demand for funds relative to funds available, it will be important to consider stricter criteria for co-financing as part of project approvals. Co-financing criteria need to be established for projects based on the focal area, the development status of the country, the size of the GEF portfolio in the country, the capacity of the country to attract other sources of financing, the implementing/executing agency, etc.[51]

Private sector participation

106. With regard to the participation of the private sector, the OPS-2 observed that much more needs to be done by the GEF in order to involve the private sector more widely in its regular operations. This issue is of particular relevance in the case of the climate change focal area, where, in the vast majority of GEF recipient countries, the main investor in the energy sector, developers and manufacturers of technologies and service providers, etc. are private companies. The report noted that many opportunities remain unexploited and that many barriers exist that prevent wider engagement of the private sector in GEF projects. It added that opportunities to leverage GEF funds in ways that could mobilize large amounts of additional private capital resources, especially for high-risk but potentially commercially viable projects in the climate portfolio, remain inadequately pursued.[52]

107. While acknowledging legitimate concerns and inherent risks associated with increased private sector involvement, the report noted that “Council endorsement of expanded engagement of the private sector and explicit acceptance of the risks involved would help to remove uncertainties within the GEF.”[53]

Fee-based system

108. Another issue of great interest to recipients as well as donors, is the fee-based system, an innovative mechanism that compensates the IAs for costs incurred during project preparation and

---

[47] Ten Operational Principles for Development and Implementation of GEF’s Work Program in OPS-2, p.132 and GEF, Operational Strategy, 1996.

[48] OPS-2, p. 64, table 6.2.

[49] OPS-2, p. 66.

[50] OPS-2, p. 67.

[51] OPS-2, p. 67.

[52] OPS-2, p. 69.

[53] OPS-2, p. 70.

implementation[54] adopted by the GEF Council in May 1999.[55] As part of the regular annual reporting on this issue to the Council, a benchmarking study presented to the Council in May 2000 found that the GEF project cost management practices were adequately and effectively methodical, rigorous, and demanding and, furthermore, that the GEF flat-fee structure is neither unreasonable nor inappropriate.[56]

109. As a result of the analysis carried out by the OPS-2 team, and addressing the concerns raised by different stakeholders of the GEF during the OPS-2 study, related to accountability and transparency, the OPS-2 report recommended two specific measures, namely, establishing a standard set of tasks to be performed by IAs with fee resources, and adopting a simple output-based fee payment system for IAs using two or three payments that are phased through the life of a project and linked to specific project milestones.[57]

110. The GEF Council in May 2002, subsequent to its consideration of the independent review of the fee-based system (commissioned in December 2001),[58] adopted a decision requesting the GEF Secretariat, in consultation with the IAs and EAs, to prepare a revised paper and proposals for improving the fee structure, taking into account the concerns raised by the members about the rising trend in administrative fees and other comments made during the Council meeting together with the findings and recommendations of the consultant's report and the OPS-2, and to submit the report to the Council for its consideration at its meeting in October 2002.[59]

GEF project cycle

111. The OPS-2 noted the criticism levelled at the GEF, particularly at the country level, about the lengthy and time-consuming processes for preparing and implementing GEF projects.[60] It also observed that "GEF projects are seldom straightforward or simple. On the contrary, they are often fairly complex and require considerable time to explore various technical options and experimental designs, as well as considerable stakeholder consultations, in many cases. Therefore GEF regular projects cannot necessarily be expected to fit comfortably into "fast track" processing procedures, in which they may lose quality-enhancing preparatory steps."[61]

112. After a careful appraisal of the current processing time by the IAs and the GEF Secretariat, the report considered that, even though it is not obvious that substantial improvements can be achieved in reducing the processing time, there seems to be room for some improvement in the management system and project review procedures in both the GEF Secretariat and the IAs.[62] It proposed that the GEF should be encouraged to undertake a more in-depth review of processing time in each annual project performance review; and that there is the need for current approval time frames to be better explained at the country level.[63]

---

[54] OPS-2, p. 95.
[55] GEF/C.13/11, Proposal for a Fee-Based System for Funding GEF Project Implementation (May 1999) and decision contained in Joint Summary of the Chairs, GEF Council Meeting, 5–7 May 1999, p. 4.
[56] GEF/C.15/Inf.7, Report on a Benchmarking Review of GEF Implementing Agencies Fees (May 2000).
[57] OPS-2, p. 109 recommendation 2.
[58] GEF/C.19/12, Consultant's Report on an Independent Review of the Fee-based System (May 2002).
[59] Joint Summary of the Chairs, GEF Council Meeting, 15–17 May 2002, p. 6.
[60] OPS-2, p. 91.
[61] OPS-2, p. 92.
[62] OPS-2, p. 92.
[63] previous note.

VIII. SUMMARY AND CONCLUSIONS OF SYNTHESIS REPORT

113. Based on the information contained in this synthesis report, this chapter has been prepared in accordance with the criteria for the assessment of the effectiveness of the financial mechanism outlined in the guidelines annexed to decision 3/CP.4. The chapter also discusses the clarity of COP guidance, issues related to the third replenishment of the GEF, and an overall assessment of the performance of the GEF.

A. Assessment of the effectiveness of the financial mechanism with respect to the criteria listed in the annex to decision 3/CP.4

Transparency of the decision-making process

114. In response to concerns over the decision-making process relating to project preparation and implementation, the GEF has over the years evolved a policy that emphasizes the transparency of its operations through the disclosure of operational information on its web site. The OPS-2 observed that the GEF has also made significant progress in obtaining wider acceptance for information disclosure among its implementing agencies. While acknowledging that the GEF projects in the climate change area have shown good participatory processes, the report called for greater efforts to strengthen this initiative.

115. To ensure that all GEF member countries are informed on how financial allocation decisions are made, a draft policy recommendation associated with the third replenishment suggests that the GEF Secretariat, in consultation with the GEF Council, prepare a paper on a system for allocating GEF resources within and among and focal areas with a view to maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide. The system of allocation will be based on the core principles of selectivity, accountability and results.

Adequacy, predictability and timely disbursement of funds for activities in developing country Parties

116. Since its establishment in 1991, the GEF has provided $1.5 billion in grants for climate change activities, representing over 37 per cent of total GEF grants, and has leveraged more than $5 billion in co-financing for 393 projects in more than 134 countries. For the period 1999–2002, the total project financing exceeded $3.677 billion, with the GEF providing $648 million in grant financing.

117. Based on the information contained in the initial national communications submitted by non-Annex I Parties relating to unmet needs and in the submissions of all Parties, it is difficult to draw any definitive conclusions on the issue of adequacy or otherwise of GEF funding. However with the establishment of the three new funds, namely, the special climate change fund, the least developed countries fund and the adaptation fund, it is conceivable that more resources will be made available and complement the existing resources allocated to the climate change focal area.

118. With regard to the predictability of funds for activities in developing country Parties, only limited information appears to exist. The 2001 medium-sized project evaluation noted with concern that there is considerable uncertainty over future GEF funding for MSPs. It indicated that when the MSPs began in 1996, it was expected that financial resources would be available to support all proposals that satisfied the GEF eligibility requirements and were technically satisfactory. According to the report this was far from the current reality. Funding limitations have now become an important constraint. The report suggested that the GEF allocate specific funding resources to help ensure that these valuable projects are not subsumed by implementing agency management preferences for full projects.

119. On the subject of timely disbursement of funds, based on the information available to this review for the period between 1999 and 2001, there has been a significant improvement in the average processing time between GEF Council approval and project implementation. It is however important that continued efforts be made to further shorten the processing time.

Responsiveness[64] and efficiency of the GEF project cycle and expedited procedures including its operational strategy as they relate to climate change

120. To address the issue of responsiveness and efficiency of the project cycle and expedited procedures, the GEF Council has approved a number of policies and procedures targeted at streamlining of the project cycle. These include: (i) the adoption of expedited procedures for enabling activities medium-sized projects and the enhancement of CEO approval authority up to $1 million for medium-sized projects; (ii) the approval of the policy for targeted research; (iii) the selective delegation to the Secretariat of the project endorsement review; (iv) the expansion of opportunities for selected executing agencies; (v) the strengthened country involvement in estimating incremental costs; and (vi) the advance publication of the GEF pipeline to facilitate reviews in member countries.

121. In 2000 further steps were taken to streamline GEF operations by improving operational efficiency and quality of implementation of, and achievement of results from, GEF actions. Additional measures to streamline the project cycle include the GEF Council decision to authorize the CEO to approve PDF-B resources for projects requiring preparation in multiple countries up to a ceiling of $700,000, and also approve PDF-C resources up to a ceiling of $1 million.

122. To improve access to GEF resources, the number of GEF executing agencies has been increased from four to seven, under the "expanded opportunities policy" of the GEF. In the draft summary of negotiations on the third replenishment of the GEF Trust Fund, it was recommended that, beginning May 2003, the GEF Council would annually review the experience of executing agencies designated under expanded opportunities and consider whether additional agencies should benefit from direct access to GEF resources as executing agencies.

123. The GEF Secretariat and the agencies are taking steps to improve the responsiveness of the GEF to country needs. These actions include the development of a project tracking and management information system as well as improved communication with recipient countries by providing the name and contact information of the staff of the GEF and the IAs.

124. As regards the medium-sized projects, the MSP evaluation of 2001[65] noted that, while there had been improvements in the processing of MSPs over time, the process can not be said to have been expedited. "The GEF Secretariat expected that it would take about six months between the time a project concept was approved and project implementation could begin. In practice the average has been over two years with several projects taking three or four years."[66] As regards enabling activity projects, expedited procedures have shortened the processing time for a number of recipient countries. In some countries the period is as short as six weeks, but processing times of up to two years have also been noted.[67]

---

64 GEF/C.16/5, 17 August 2000.

65 Driving for Results in the GEF: Streamlining and Balancing Project Cycle Management. GEF/C.16/Inf.5, 17 August 2000.

66 Medium-sized projects evaluation. Evaluation Report 2001. GEF/C.18/Inf.4, 6 November 2001.

67 FCCC/SBI/2002/INF.1.

Amount of resources provided to developing country Parties, including financing for technical assistance and investment projects

125. Of the $1.5 billion in GEF grants to climate change activities since 1991, approximately 89.4 per cent was allocated to projects in non-Annex I country Parties, while 10.4 per cent was used in financing projects in Annex I countries undergoing the process of transition to a market economy. An analysis of the information on these projects revealed that in terms of numbers, operational programme 5 (energy efficiency) and operational programme 6 (renewable energy) projects accounted for only 36 per cent of projects, but attracted about 65 per cent of resources. Operational programme 7 (reduction of long-term cost of low greenhouse gas-emitting technologies) received an allocation of 14.3 per cent, while operational programme 11 (sustainable transport), and short-term measures, obtained 13 per cent of funding resources. Enabling activities accounted for more than 52 per cent of total projects but received only 8 per cent of total funding. For the period 1999–2002, GEF funding for enabling activities was less than 3 per cent of total funding for project activities in its climate change portfolio.

Amount of finance leveraged

126. The level of leverage for the 28 completed climate change projects[68] is high, particularly when compared with the amounts leveraged in other focal areas. However, two big investment projects attracted a large percentage of the amount leveraged.

127. The draft policy recommendations agreed as part of the third replenishment identify increased co-financing as a key issue in GEF efforts to have a positive impact on the global environment. They suggest that IAs and EAs and other donors generate additional resources to leverage GEF funding; and that co-financing levels should be a key consideration in considering work programme inclusion. They recommend that the GEF establish a co-financing policy, with consistent criteria and reporting requirements as well as co-financing targets. The draft recommendations also suggest the monitoring of actual versus amount of co-financing anticipated at the time of GEF Council approval. They recommend that a co-financing policy be prepared by the GEF Secretariat in consultation with the IAs and EAs, for consideration at its meeting in October 2002.

Sustainability of funded projects

128. The information available to the review indicates that, due to the limited number of completed projects, it is at present difficult to assess further replication and sustainability of results. However the climate change programme study has identified some factors which could positively influence, and some which could negatively influence, sustainability.

B. Guidance by the COP

129. Information contained in this synthesis report suggests that there is the need to address issues relating to the quality of guidance the COP provides to the GEF. The views expressed in some submissions and evaluation reports of the GEF were that the quality of COP guidance needs improvement in precision and clarity regarding priorities. The OPS-2 recommended that the GEF should regularly seek to update and clarify existing priorities and commitments in the light of each new round of guidance it receives from the COP. This may require a rethinking of the characteristics of the guidance provided by the COP linking clarity to a strategic approach to the implementation of the Convention. There is also the need to assess whether the annual reviews by the COP of the annual reports of the GEF did contribute significantly to the development of additional guidance.

---

[68] OPS-2 p.64, table 6.2.

C. Third replenishment

130. Submissions to this review occurred while the negotiations on the third replenishment of the GEF Trust Fund were still under way. These submissions referred to the need for an expeditious resolution of the impasse relating to the level of the third replenishment, at higher-than-previous levels, due to the urgency and importance of issues covered by its mandate. However, in early August 2002, an agreement was reached that the size of the third replenishment should be $2,922.84 million, taking into account the suggested distribution of resources among existing and proposed focal areas, including multi-sectoral projects, capacity-building and other kinds of cross-cutting activities that directly or indirectly relate to the focal areas. A number of participants indicated that their governments would consider making additional contributions so as to further raise the level of the third replenishment.

D. Overall assessment

131. On the basis of information considered in this review, the overall impression is that the GEF has effectively performed its role as an entity operating the financial mechanism in providing financial and technical support for the implementation of the Convention. The GEF report on the review of enabling activities concluded that the support provided by the GEF has substantially enhanced the capacity of some non-Annex I Parties to meet their reporting requirements under the Convention, a view shared by several Annex I and non-Annex I Parties. The report also observed that GEF-financed enabling activities neither are a clear step in the direction of sustainable capacity-building, nor have they helped countries prepare to develop policies and strategies required to deal with climate change. Because few GEF medium-sized and full projects have been completed, it is difficult to evaluate the full impacts of these projects. Although evaluation reports suggest that these projects have been successfully implemented, they also indicate some areas of GEF operations where further efforts are required; these include strengthening stakeholders and private sector participation, improving the catalytic role of the GEF through mainstreaming, and co-financing funded projects. There is also the need to further streamline the GEF project cycle with a view to further limiting the time between project concept and project implementation, because there has been a large increase in the number and scope of projects approved during the period under review.

Annex

TEXT OF DECISION 3/CP.4 ON THE REVIEW OF THE FINANCIAL MECHANISM, INCLUDING ITS ANNEX

Decision 3/CP.4

Review of the financial mechanism

The Conference of the Parties,

Recalling its decisions 9/CP.1, 11/CP.2, 12/CP.2 and 11/CP.3,

Taking note of the study of the overall performance of the restructured Global Environment Facility,[1]

1. *Decides* that the restructured Global Environment Facility shall be an entity entrusted with the operation of the financial mechanism referred to in Article 11 of the United Nations Framework Convention on Climate Change;

2. *Decides also*, in accordance with Article 11.4 of the Convention, to review the financial mechanism every four years, on the basis of the guidelines as contained in the annex to this decision or as they may subsequently be amended, and to take appropriate measures.

8th plenary meeting
14 November 1998

[1] Gareth Porter, Raymond Clemençon, Waafas Ofosu-Amaah and Michael Philips, *Study of GEF's Overall Performance*, Global Environment Facility, March 1998.

Annex

GUIDELINES FOR THE REVIEW OF THE FINANCIAL MECHANISM

A. Objectives

1. In accordance with Article 11.4 of the Convention, the objectives will be to review the financial mechanism and take appropriate measures regarding:

(a) Its conformity with the provisions of Article 11 of the Convention;

(b) Its conformity with the guidance of the Conference of the Parties (COP);

(c) The effectiveness of the activities it funds in implementing the Convention;

(d) Its effectiveness in providing financial resources on a grant or concessional basis, including for the transfer of technology, for the implementation of the Convention's objective on the basis of the guidance provided by the COP;

(e) Its effectiveness in providing resources to developing country Parties under Article 4.3 of the Convention.

B. Methodology

2. The review shall draw upon the following sources of information:

(a) Information provided by the Parties on their experiences regarding the financial mechanism;

(b) Annual reviews by the COP on the conformity of the activities of the financial mechanism with the guidance of the COP;

(c) The annual report of the Global Environment Facility (GEF) to the COP on its activities as the operating entity of the financial mechanism, the annual reports of the GEF and other relevant GEF policy and information documents;

(d) Reports from the GEF monitoring and evaluation programme;

(e) Reports from the United Nations Commission on Sustainable Development and relevant bilateral and multilateral funding institutions;

(f) Relevant information provided by other intergovernmental and non-governmental organizations.

C. Criteria

3. The effectiveness of the financial mechanism will be assessed taking into account the following:

(a) The transparency of decision-making processes;

(b) The adequacy, predictability and timely disbursement of funds for activities in developing country Parties;

(c) The responsiveness and efficiency of the GEF project cycle and expedited procedures, including its operational strategy, as they relate to climate change;

(d) The amount of resources provided to developing country Parties, including financing for technical assistance and investment projects;

(e) The amount of finance leveraged;

(f) The sustainability of funded projects.

- - - - -