

## **DEVELOPMENT EFFECTIVENESS COMMITTEE OF THE BOARD**

### **CHAIR'S SUMMARY OF THE COMMITTEE DISCUSSION ON 21 SEPTEMBER 2007**

#### **SPECIAL EVALUATION STUDY (SES) ON GLOBAL ENVIRONMENT FACILITY**

1. The SES is a two-part study: (i) joint evaluation participated by ADB and all other donors of the Global Environment Facility (GEF); and (ii) a real-time evaluation of completed and ongoing projects. The SES provides recommendations on the processing of the GEF-funded projects, and derives eleven (11) general lessons from evaluation of both ADB's GEF-funded and other environment projects.
2. Management's response generally agrees with the lessons presented in the SES, of which several have already been incorporated into the design of specific ongoing projects. Management does not find the SES to present compelling evidence that projects with GEF cofinancing suffer from a weak country ownership and inadequate project implementation arrangements. Management also views that delegating oversight of complex projects to RMs would not significantly improve the design or implementation, unless sufficient staff and budget resources were provided for such purposes.
3. DEC inquired whether there are recommendations in the SES that would suggest actionable points for the Management, or just lists of lessons drawn from the evaluation. OED clarified that since the evaluative evidence was limited, there are no recommendations presented for ADB's GEF portfolio, but only lessons drawn from the status of the entire portfolio. DEC noted that the lessons are tentative and recommendations cannot be derived at this stage.
4. DEC also inquired on the choice of the three sample projects (one Sri Lanka, one Bangladesh, and one RETA). DEC opined that the sample size (3 out of 13) may have limited the evaluation to provide compelling evidence, as viewed by the Management. The sample size could have included more investment projects, and could have drawn more useful lessons and findings. In future assessments, recent projects that had been completed should be used.
5. OED explained that the sample projects were selected on the basis of their maturity (referred to the selection criteria in para. 9), and the selection was discussed with GEF team in ADB, including RSDD. A periodic evaluation will be made in the future.
6. DEC noted that the SES presented detailed problems and Management only provided general response. There was lack of explanation on generic issues that arise due to mismanagement of projects.
7. Management (represented by Acting DG, RSDD and Director, RSES) responded that it followed the established practice in which OED requests Management to confine its responses to recommendations presented on which Management raises some objection or wishes to comment. Further, detailed responses to comments had already been made during the interdepartmental review of the draft evaluation paper, and the SES actually did not present recommendations but rather a list of lessons.
8. DEC noted Management mistakes presented in the findings, implying ADB's inexperience in engaging in GEF operations. The general question is whether ADB should

continue with this kind of operation. The deficiencies pointed out warrant serious and urgent resolutions from Management. The complexity of the projects requires appropriate expertise, and from a strategic perspective, ADB should be selective in the areas where it has adequate expertise. One DEC member supported continued operations with GEF, pointing out that only three out of the 13 projects have been evaluated as unsuccessful. Other projects are performing well at their current stage of implementation. Another DEC member recommended that ADB should continue accessing GEF financing in projects that fall under the core sectors of the LTSF.

9. Management clarified that there are no GEF projects per se; instead, there are ADB projects that receive GEF co-financing. Management acknowledged the failures of the Bangladesh project, though it did not attribute these to the fact that the project received GEF co-financing. It noted that the Sri Lanka project is ongoing, and measures to correct the concerns raised in the SES are being undertaken. The projects evaluated suffered from high complexity of design. Management noted that natural resources management projects are inherently complicated in nature, and ADB has learned from the lessons and is working to simplify project designs and to employ phased operations where appropriate. Ongoing projects outside the sample manifest implementation improvements, taking into account the lessons learned from the evaluation.

10. As regards whether ADB should continue GEF-cofinancing operations or not, Management believes that discontinuing for reasons of inadequate staff resources and because there have been a couple of unsuccessful projects, is not justifiable. The decision must be based on the overall strategic thrust of ADB, where cooperation with GEF has a range of benefits. Moreover, the lessons derived from the evaluation are applicable and helpful to the design and implementation of any natural resources management project.

11. DEC inquired on lessons from other MDBs, and on comments by other GEF players, like UNDP and WB, on the performance of ADB's GEF co-financed projects. DEC asked whether GEF would require future assessment by GEF users on the effectiveness of the facility, for instance during the GEF replenishment exercise, and what were the lessons learned by OED from the joint evaluation exercise.

12. Resident Missions' limited capacity also affects GEF operations, necessitating an urgent need to review the RM policy. Adequate skills and expertise on natural resources management and environmental issues are required for GEF co-financed projects—ADB presently has inadequate resources.

13. DEC noted the improved processing scheme for GEF which is partly in response to the joint evaluation, and suggested that OED monitor improvements following the new processing scheme. In the interest of development effectiveness, this process should be reexamined on a regular basis to improve efficiency, using new results-based management tools and better communication.

14. DEC agreed that some GEF co-financed projects suffered from weak country ownership in some cases. OED affirmed the lack of country ownership in the executing agencies; country ownership was only present at the ministerial level. Management believed that the evidence for lack of country ownership was not as compelling in the SRI project as it was in the BAN project.

15. DEC noted the failure of the project processing at the quality-at-entry (QAE) stages in some cases. DEC emphasized the findings that the quality-at-entry seemed to have suffered due to ADB's rush in getting GEF funds.

16. Management explained that most of the projects were already well along in their design even before GEF actively pursued. GEF cofinancing had little influence in the overall project design, and it was not GEF dimensions that brought about failures or design over-complexity. GEF may have added just a layer to the already complex nature of natural resources management projects. Management disagreed that projects were approved prematurely and noted the broader conclusions in the SES than warranted by the facts. Management asserted that there was no rush to get GEF financing, and the QAE did not suffer because of the GEF. The GEF even delayed the project processing, instead of accelerating it.

17. OED agreed that the projects were already in the pipeline even before GEF funding became available. However, ADB could have done more due diligence by having a phased approach: building the institutional capacity first before getting into the technical work. The timing may have been delayed, but some improvements could have been made in the implementation design.

18. OED cited evidence that led to the SES's findings: For the BAN project, OED found out that despite the Ministry's interest, the Forestry Department did not want to push through with the project. This led to the assumption that ADB still went ahead with the project in order to gain access to GEF.

19. DEC inquired on any natural resources management project that is not funded by GEF, which may serve as a comparator to the GEF co-financed projects. A comparative study could be done to determine whether GEF cofinancing affects the quality and execution of projects.

20. Management confirmed that there are natural resources management projects that are not cofinanced by GEF, and a comparison would potentially help assess the effectiveness of GEF participation. However, GEF is only a component of the overall financing scheme and would be unlikely to affect the overall implementability of the project.

21. The Chair drew the following conclusions from the discussion:

- (i) ADB's GEF co-financed natural resources management projects have limited maturity in the implementation cycle, and only three could be evaluated. Thus, the conclusions of the evaluation were tentative.
- (ii) On the issue whether the GEF or the complexity of the sector caused the failures in implementation, Management and OED could not resolve the difference. Most DEC members recommended that a comparative study be made between natural resources management projects that are co-financed by GEF and those that are not.
- (iii) DEC concluded that given the unsatisfactory performance of the projects evaluated, Management should look at the detailed limitations pointed out in the study, and to avoid future recurrence.
- (iv) On ADB's involvement in natural resources management, DEC opined that it be reviewed under the LTSF.