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GEF MANAGEMENT RESPONSES TO THE M&E PROGRAM STUDY ON OP12 “INTEGRATED ECOSYSTEM MANAGEMENT”

(Prepared by the Secretariat and the Implementing and Executing Agencies)

Recommended Council Decision

The Council takes note of document GEF/ME/C#, *GEF Management Response to the M&E Program Study on OP12 “Integrated Ecosystem Management”*, and invites the OPS3 team to take them into consideration in undertaking its work.

Table of Contents

Introduction.....	1
Management Response to the Program Study on OP12 “Integrated Ecosystem Management”	4

INTRODUCTION

1. GEF Sec and the Implementing and Executing Agencies acknowledge the quality and comprehensiveness of the Program Study and appreciate the many useful findings and recommendations made to improve the quality of projects in the OP12 portfolio and to encourage the GEF Secretariat on enhancing the integration at institutional and technical levels. The interagency focal area task force, composed of staff from the GEF Secretariat and the Implementing and Executing Agencies, have carefully reviewed the Program Study and have developed the attached management response.

2. The Study makes a number of key interrelated findings:

- (a) **Project design and approval:** Projects were uniformly consistent and complete in addressing and developing plans with regards to stakeholder participation, co-financing, and country-drivenness. Projects were less successful in developing or demonstrating sound technical rigor. Many project proposals were over-ambitious regarding the potential success of certain practices such as conservation farming, agroforestry, and integrated soil and land management.
- (b) **Concept definition:** The GEF and partners need to define and agree upon concepts, e.g., of *synergy*, *integration* and *integrated ecosystem management*. In the context of focal areas of the GEF portfolio, synergies implies activities in more than one focal area lead to results that give a more successful outcome than either of them undertaken without the other. IAs also refer to “synergies” occurring beyond the project level—to the country and regional levels; but such synergies appear to refer to complimentary efforts at such levels. The concept is often described as “win-win”, but is more properly “win by more-win by more”. *Integration* is widely used and is used at various levels: as such the term and concept needs definition by GEF. *Integrated ecosystem management* is not defined, but refers to sets of practices ranging from reduced tillage to use of agroforestry to “integrated soil and land management”.
- (c) **Trade-offs.** Besides improved independent project review and greater technical rigor, the study recommends that much more attention be given to trade-offs. The major trade-off faced by projects is that between private, local goals (of poverty alleviation, sustainable incomes) and public, global environmental goals. Trade-offs must also be considered in terms of between and among FAs in multi-focal projects, and between and among different institutions and stakeholders in multi-institutional and multi-stakeholder projects. At all of these levels, there are winners and losers. Synergies and “win-win” although desirable are rarely the case. Although the review brief was to look for evidence of synergies, little was found. Projects that recognize and analyze trade-offs from the beginning can make informed (albeit at time unpopular and politically difficult) decisions in order to loose less in the face of trade-offs and to better control the strategic balance between gains and losses.

- (d) **Trends in OP12:** Projects in OP12 have evolved over time, with later-proposed projects showing improved design and conceptual clarity. Some of the original OP12 projects were later removed and redistributed to other OPs to better match remaining projects to the OP12 mandate. The creation of OP15 apparently led to a substantial drop in proposals to OP12.

3. To provide the proper context for the management response, we would like to briefly reflect on recent developments with regards to integration within the GEF system.
4. About one year ago, the GEF Secretariat started an internal discussion on cross-focal area integration using OP12 as one of the main entry points. The discussion has evolved to the point that “integration” will have a more dominant role in the 4th replenishment period of the GEF.
5. Historically, GEF projects have mainly demonstrated implicit linkages across focal areas. The benefits generated beyond the primary focal area of a GEF project intervention have been taken as incidental and indirect. There is, however, a growing recognition of the need for the linkages to be made more explicit and to have GEF projects and programs designed so that the added-value of integration across focal areas can be optimized from the outset, monitored and measured accordingly. Support for this type of integrated approach reflects an international consensus that was originally advocated in Agenda 21 and most recently supported through the WSSD Plan of Implementation. It was made explicit in the Millennium Development Goals and called for in the Millennium Ecosystem Assessment in order to secure the sustained flow of ecosystem goods and services. This consensus opinion recognizes that managing natural resources, including energy, in an integrated manner is fundamental to achieving environmental sustainability in the context of sustainable development and vice versa.
6. The structure of and spectrum within the GEF system of operational programs mirrors the historical development trend from single-resource based approaches towards more integrated approaches to natural resources management. The first operational program advocating an integrated approach was OP 9 “Integrated Land and Water Multiple Focal Area Operational Program” of the International Waters Focal area. Projects had to have, however, a regional (multi-country) focus do to the nature of the focal area. Later operational programs, especially OP12 on “Integrated Ecosystem Management”, OP 13 “Conservation and Sustainable Use of Biological Diversity Important to Agriculture” and finally OP 15 on Sustainable Land Management adopted the integrated approach to natural resources management for any type of project dealing with natural resources and protecting the global environment in the context of sustainable development.
7. OP 12 has a special status among GEF operational programs because it is the only program that is not subordinated to one focal area only. OP12 calls by its nature for the compliance with the objectives of at least two GEF focal areas. OP 12 is also the only operational program that received its own funding allocation in GEF-3. The portfolio contributed to the agreed replenishment targets of focal areas in which global environmental benefits were pursued by individual projects.

8. Building on the recommendations of this program study and the management response that reflects the current ongoing discussion on institutional and thematic integration, the GEF Secretariat and the Implementing and Executing Agencies will develop a proposal for enhancing “Integration” that will be part of the GEF-4 Programming Document be presented to Council in June 2005. Specific findings and recommendations in the program study will be taken up not only in the GEF interagency task force on OP12 but only the task forces on individual focal areas.

Management Response to the Program Study on OP12 “Integrated Ecosystem Management”

Introduction

1. The GEF Integrated Ecosystem Management Program Study 2005 presents a comprehensive and analytical review of the GEF Portfolio related to OP12 “Integrated Ecosystem Management” as well as constructive and useful recommendations to further improve the quality of project design and performance of the portfolio. The study also encourages the GEF to deepen the ongoing internal and external dialogue that seeks to increase institutional and thematic integration and better define the scope of interventions. It also provides many insightful observations gathered through extensive interviews with various stakeholders.

2. The study found that OP12 is a valid and important program for the GEF. It confirmed that OP 12’s unique nature and niche in the GEF system. OP12 projects are intended to be multi-focal (dealing with the objectives of two or more focal areas) and be synergistic (where the achievement of benefits in one focal area leads to increased benefits in another). OP12 was initially conceived as an operational program on carbon sequestration but was later changed to its current title reflecting an integrated and multi-focal approach to the management of natural systems.

3. The study found that OP12 projects were uniformly consistent and complete in addressing concerns related to stakeholder participation, co-financing, and country-drivenness. It show, however, weaknesses in several areas such as

- (i) technical clarity,
- (ii) the definition of synergies targeted within projects, and
- (iii) a detailed discussion on the trade-offs a project would allow e.g. between global environmental benefits and sustainable livelihood benefits or among global environmental benefits in various GFE focal areas.

4. The study also identifies potentials to improve the design of OP12 projects by highlighting the need for some institutional changes such as the modus operandi for project reviews by the GEF Secretariat or setting up inter-disciplinary project design teams within the Implementing and Executing Agencies.

5. The Program Study highlights a number of issues that “might contribute to potential failure to achieve the desired impacts of multi-focal, synergistic integration in OP 12 projects”. We appreciate, however, the constructive tone but critical perspective that the Study has taken, particularly as it relates to the four main issues we elaborate on in the Management Response.

6. The response reflects consolidated views of the GEF Secretariat and Implementing Agencies.

Methodology

(a) Factual Evidence on the Ground

7. OP 12 has one of the youngest portfolios in the GEF. Only 38 projects have been approved so far by the GEF Council and/or endorsed by the GEF CEO. The majority of the projects in the portfolio are at various stages of preparation. Only 3 of the approved/endorsed projects have reached or are about to reach their midterm status. Therefore, few project implementation reviews (PIRs) were available for review and none of the projects were visited. So, the results of this study must be analyzed and interpreted in this context.

8. The study analyzed a cadre of projects on paper only. The findings from a desk review on projects that hardly had yet to demonstrate its viability and validity in the field are not necessarily illustrative of how these projects perform under field-conditions.

(b) Scope of Interviews and Recommendations

9. We note that the study team interviewed professionals representing all focal area teams in the GEF Secretariat. In the Implementing and Executing Agencies, however, interviews were confined to focal area specialists working in the focal areas of land degradation and international waters only. We believe that additional interviews with agency specialists would have strengthened and clarified some of the main arguments in the study.

10. The recommendation on the structure of the GEF Operational Programs will not be discussed in this management response since it is an issue that goes well beyond the discussion of OP12 and its portfolio performance. Instead, we will present the status of current discussions within the GEF Secretariat on proposals for more thematic and institutional integration in GEF-4. This ongoing discussion might lead in the medium-term to a change in the current structure of GEF Operational programs and Strategic Priorities that needs to be approved by the GEF Council.

11. The management response will also not respond to suggestions related to the GEF project cycle. The Council will receive an evaluation report on the GEF project cycle and its effectiveness in the Council Document “GEF Annual Performance Report” prepared by the Office of M&E. The evaluation will provide a more holistic view on the issues related to the GEF project cycle.

Quality of Entry

12. The study identifies technical feasibility of many OP12 project proposals as worrisome due to unconvincing, incomplete, or over-optimistic statements regarding proposed scientific and technical underpinnings.

13. This finding is somewhat surprising, given that the GEF Implementing and Executing Agencies have always made it a priority to use thematic specialists in project preparation who provide the necessary technical backstopping and ensure the technical feasibility of a proposed project.

14. We indeed fully agree with the study on the importance of technical factors for proper implementation, including a sound initial diagnosis of problems and the assessments of potential solutions, accurate establishment of baselines, appropriate scientific and technical approaches to

problem solution, monitoring of change or impact, and mechanisms to learn from experiences and adapt accordingly.

15. In this regard, we have taken important and major steps to ensure that projects will provide a more detailed and robust presentation of the technical factors in project proposals at work program inclusion. This includes the presentation of a sound problem analysis, a root-causes-impact chain, the identification of barriers for integrated ecosystem management and the related identification of project interventions. We will also encourage the discussion of options for technical approaches that are proposed.

16. We also agree with the study's strong call for the establishment of appropriate and accurate baselines. The need for a better result-based management, monitoring and evaluation have been emphasized by the GEF Council during past work programs and encouraged by the Office of M&E. The study points out that recent project proposals present more comprehensive plans for ongoing monitoring and evaluation and the status of the collection of baseline information. The GEF Secretariat will consolidate this trend.

17. With regards to measuring focal area specific global environmental benefits, especially in Climate Change (carbon-related indicators), Biodiversity (habitat status and representative key species), and International Waters (pollution- and other water-related indicators), closer collaboration will be sought with the specialists in these focal areas in order to adequately capture the benefits within the focal area specific M&E systems. The GEF interagency task force will develop indicators that capture synergetic benefits.

Integration: multi-focality, synergy, and related issues

18. The study poses two questions one of which is related to the technical feasibility (How likely a project was to achieve its stated global environmental goals), and the second on the issue of synergies (The extent to which the project has integration that is likely to create synergy, interpreted to mean success with a single FA raises the performance of others). The management response will focus on the second question since the first issue very much relates to the discussion on the quality of entry.

19. The study highlights several good examples of well-integrated projects based on their multi-focality and consistency with OP12 selection criteria. The GEF Secretariat will extract best practices and lessons learned in project design and level of detail of technical approaches for future reference and replication.

20. We agree that the multi-focality and the presentation and monitoring of synergies are weak points in the portfolio. An earlier internal analysis of the OP 12 portfolio had already identified that a project that pursues multiple global environmental benefits does not necessarily apply an integrated ecosystem management approach or pursues synergies between focal area objectives, hence is not consistent with the OP 12 criteria. We agree that projects that fit the broad criteria for OP 12 often lack a satisfying qualification and quantification of targeted synergies between focal area objectives. The GEF Secretariat will pay increased attention to the issue of synergies in the context of the already mentioned internal discussion process on thematic

and institutional integration. In the GEF programming paper for GEF-4, there will be a proposal for enhancing integration in the GEF.

21. The study also points out the lack of clear strategic priorities in the OP12 document, which allowed OP12, at least in its early stages, to become a "dumping ground" of projects that did not fit well in the highly compartmentalized "silos" of other OPs, especially in Biodiversity.

22. While there have been some inconsistencies in the past, the GEF has proactively addressed this issue by setting up an institutional mechanism to ensure transparency, cross-focal area peer reviews and performance standards. Today, reviews for projects entering the OP12 portfolio are peer-reviewed by at least two professionals in the GEF Secretariat before the project enters the next stage in the GEF project cycle.

Two key considerations in GEF OP12 Projects

23. The study rightly points out that "Win-win" vs. trade-offs must be considered in terms of both: a) working to achieve development/poverty alleviation vs. efforts to maintain or increase global environmental goods and services, and b) working to achieve synergies (a more positive form of win-win) between or among focal areas.

(a) *"Win-win" or trade-offs?*

24. With the development of OP 12, the GEF made the first attempt to proactively address the link between development/poverty alleviation objectives and the efforts to maintain or increase global environmental goods and services. Most of the projects in the OP 12 portfolio address global environmental challenges in the production landscape. Global environmental goods and services addressed through these projects are under threat from unsustainable pressure on ecosystem components and services that are extracted and/or used by farmers for securing their families livelihoods.

25. The study points out that OP12 funds have often been used with the explicit and worthy recognition that development and poverty alleviation often may require greater, negative demands on public, global environmental goods.

26. We agree with the study that the assumption that projects involving the GEF would generally result in "win-win" gains in *both* development and global environmental goods, is not realistic. Projects focussing on the production landscape, need to explicitly assess the potential for "win-win" gains or trade-off outcomes between global environmental and local livelihood benefits. We further agree with the program study that "difficult and likely unpopular decisions that balance the supposed importance of specific global environmental goods and services vs. the possible need to sacrifice some gains in poverty alleviation" need to be discussed as part of the overall project design and sustainability analysis. The GEF Secretariat will take up this very useful recommendation and further discuss it with the GEF interagency task forces.

(b) *Synergies (a form of win-win) or trade-offs among focal areas*

27. The study points to the fact that synergies between some focal areas may be nearly automatic. This finding is not specific to OP 12 projects but affects many projects addressing natural resources management issues. We disagree with the program study that projects under OP12 might lead to trade-offs between focal area objectives, and thus a negative notion for at least one GEF focal area, since the GEF operational strategy does not allow the “transfer of negative environmental impacts between focal areas”. According to the study, “no project was in contradiction of the operational principles as embodied in the Operational Strategy”.

28. We agree that no project in the portfolio proposed a convincing model to *measure* synergies between or among focal areas. Based on this observation, the GEF Secretariat has since requested projects submitted under OP 12 projects to discuss the expected synergies between focal area benefits and, at work program inclusion, define an indicator that measures the expected synergies.

29. The study discusses the likelihood of OP 12 projects that seek funding for multi-focal work, but “will then be held responsible for multi-focal outcomes that may be beyond project capabilities and budgets”. Since there is no evidence available in form of performance reports for projects in implementation, the risk of “double jeopardy” can only be closely observed for the time being by the Implementing and Executing Agencies because of their role in monitoring project implementation. It is suggested that the TORs for future project implementation reports are adjusted accordingly to capture the risk. Technical backstopping missions by the Implementing and Executing Agencies may pay special attention to mitigating the risk of “double jeopardy”.

Moving OP12 and the OP system forward

30. The study correctly noted that the GEF family is actively involved in a strategic re-thinking process regarding its operational approach to integrated natural resources management.

31. The study has suggested some options and alternatives addressing the question “what to do” with OP12. The management response will not comment on these recommendations because the discussion and decision on the future of OP 12 is an integral part of a strategic thinking process regarding the entire GEF system of operational programs.

32. Since the approval of the GEF Operational Strategy in 1995, the GEF Council has recognized the need for integration across focal areas. However, the focal area structure of the GEF has not been conducive to fully addressing the issue, although important initial steps have been taken. For example under the international waters operational program on integrated land and water multiple focal area, the integration of land use and biodiversity considerations in the design of water protection and rehabilitation was indispensable.

33. Lessons drawn from all our interventions over the past decade show that most strategies and decisions which are based on uncoordinated approaches (often advocated for institutional, organizational, management and/or conceptual simplification reasons) have so far not yielded results nor met expectations raised by the Rio process. The Millennium Ecosystem Assessment has provided solid scientific evidences and documentation of the nature and consequences of

adverse ecosystems changes. This important assessment called the attention of all those concerned to pay special attention to the issue of linkages and synergy among identified components of the global environment complex.

34. Historically, GEF projects have mainly demonstrated implicit linkages across focal areas. The benefits generated beyond the primary focal area of a GEF project intervention have been taken as incidental and indirect. There is, however, a growing recognition of the need for the linkages to be made more explicit and to have GEF projects and programs designed so that the added-value of integration across focal areas can be optimized from the outset, monitored and measured accordingly.

35. As part of GEF-4, the GEF proposes to move beyond promoting integration through a dedicated Operational Program. When appropriate, projects or programs dealing with natural resources are to be conceived with multi-focal area objectives and should be developed accordingly applying the most appropriate approaches and methods to achieve global environmental benefits. The management approaches to be used will reflect the main entry point for a particular intervention but could include, but not be limited to, integrated water resources management, integrated natural resources management, the ecosystem approach, the sustainable land management approach, etc. What these approaches share in common is an understanding that sustainable environmental management is intrinsically linked to sustainable livelihoods and requires cross-sectoral collaboration and multi-level interventions. This can be achieved within the project or program context while remaining consistent with the core mandate of the GEF.

36. Although there is an increasing awareness of the need for integration as evidenced by some of the current examples in the GEF portfolio, it has become clear that in order to systematically move towards integration, a more strategic approach across focal areas and with country clients is necessary.

37. To fully implement the emerging direction of the GEF towards more systematic integration among focal areas, various internal barriers have been identified that will have to be slowly removed. These barriers are mainly of institutional nature and are listed below:

- Focal Area structure of the GEF and operational programs;
- Organization of teams in GEF Sec and IAs/EAs according to GEF Focal Areas resulting in limited opportunities for the cross-focal area engagement necessary to implement integrated approaches ;
- Fully developed Focal Area portfolios of projects and programs at various stages of the GEF project cycle; and
- Future Resource Allocation Framework with country and group allocations for Biodiversity and Climate Change.

38. Other institutional issues that have to be resolved include the implied higher transaction costs, especially for the Implementing and Executing Agencies during the preparation of projects and programs that address multiple global environmental concerns. Another area of concern is the fact that some of the Focal Area portfolios have already planned into GEF-4 to an extent that

few additional resources will be available to proactively engage in integrated programs and projects together with other focal areas based on the principle of cost-sharing of the incremental costs of an initiative.

39. Regardless of the existing situation, which presents both barriers and opportunities, a series of actions have been identified for implementation during GEF-4 that will foster integration using the existing structures in a more effective and efficient way. These actions will take place at three levels: the project level, the country level and the program level.

40. At the focal area project level, opportunities for collaboration across focal areas within specific interventions that heretofore were not fully exploited will be targeted. This could also include but not be limited to employing checklists and/or project review criteria to assess the interlinkages across focal areas that a specific project might be better able to accentuate through project design and implementation approaches (i.e. adaptation to climate change). The work being undertaken by STAP on interlinkages will provide relevant guidance in this regard. In addition, within each focal area strategy for GEF-4, opportunities for integrated projects will be encouraged, as appropriate. The sharing of the incremental costs of identified integrated projects among relevant focal areas and Operational Programs will be considered on a case by case basis.

41. At the country level, opportunities for integration will be identified by making use of the National Dialogue Initiative and the NCSA process. These GEF outreach activities bring together multiple stakeholder groups and inter-ministerial committees and can therefore serve to foster the collaboration across sectors that will be necessary to identify opportunities within their GEF portfolios for integrated approaches to natural resources management.

Concluding Remarks

42. The study identified 6 key areas in the OP 12 project design and portfolio management that need improvement and further clarification. Two are directed towards institutional issues such as GEF procedures and the structure of operational programs. The management response has responded to the study's specific findings and recommendations but refers on overall procedural and structural issues to other discussion opportunities in the GEF Council. The specific recommendations are of high importance and urgency for the GEF Secretariat and the Implementing and Executing Agencies and will allow for the improvement of project implementation and portfolio management.

43. Many of the specific recommendations to the GEF Secretariat and the Implementing and Executing Agencies provide useful contributions to ongoing strategic planning and programming work, especially to the current discussion on thematic and institutional integration. In addition, the recommendations related to specific technical issues are also most appreciated, such as advice on technical rigor and the need for discussion on the issues of trade-offs and synergies.

44. This management response suggests that the most effective way to address all of the important issues raised is for the recommendations to be systematically taken into account through the development of Strategic Priorities for GEF-4 in the GEF focal areas and define a

joint priority on “Integration”. In addition, this will allow us to combine the solid foundation outlined in this Management Response with the ongoing discussion process on integration as a way to operationalize most recommendations.

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