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Public Climate Finance: A Survey of Systems to Monitor and Evaluate Climate Finance Effectiveness

Climate Policy Initiative

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July 2012

CPI Report

Descriptors

Sector	Multilateral Climate Finance
Keywords	Climate finance, effectiveness, monitoring and evaluation, multilateral and bilateral financial institutions
Related CPI reports	Improving the Effectiveness of Climate Finance: Key Lessons
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Acknowledgements

The authors wish to thank the following colleagues and external reviewers for their valuable input and expertise on the various iterations of this paper: Sabrina Archambault, Juliano Assunção, Ruby Barcklay, Jessica Brown, Carlo Carugi, Ken Chomitz, Katrin Enting, Pierre Forestier, Guido Geissler, Olivier Grandvoinet, Meyssonier Guillaume, Jochen Harnisch, David McCauley, Anne Montgomery, Smita Nakhooda, David Nelson, Kath Rowley, Katherine Sierra, and Gernot Wagner.

Disclaimer

This paper was developed as a background document for the report 'Improving the Effectiveness of Climate Finance: Key Lessons', a joint study led by a consortium of researchers from Environmental Defense Fund, Climate Policy Initiative, Brookings Institution, and Overseas Development Institute on the topic of the effectiveness of climate finance published in November 2011.

CPI is publishing this report to foster further discussions on the topic, share lessons, and promote learning, and has updated information and data to the extent possible.

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Executive Summary

Multilateral and bilateral intermediaries, such as national development banks and agencies, and multi-donor financial institutions, are a crucial part of the financing landscape. Starting with the Gleneagles Summit in 2005 and spurred on by ambitious international financing goals, **intermediaries are collaborating closely on climate finance activities** (e.g. AfDB et al., 2010; UNEP, 2010).

This is good news, and improves prospects of achieving the massive scale up required to transition the world's economy to a low-carbon, climate-resilient future.

Among them, intermediaries distribute more than one third of the currently available international climate finance – an amount of about USD 39 billion a year (Buchner et al., 2011a), but most likely even more.

However, fiscal austerity across developed economies is straining public budgets, creating growing pressure to demonstrate that every public dollar invested is extracting value for money. There is growing awareness about, and demand for, transparent and coherent approaches to measure, monitor and evaluate results from international climate spend; including under the new Green Climate Fund (GCF). **Understanding what is working, what is not working, and why, is necessary not only to justify ongoing public expenditures, but to ensure that effective interventions can be replicated.** To this end, identifying lessons from ongoing efforts to monitor and evaluate (M&E) effectiveness are essential.

This paper examines the M&E systems applied by a selection of eight intermediaries – five multilateral and three bilateral financial institutions and dedicated climate funds – to monitor and evaluate climate finance spending and measure the effectiveness of interventions. Our hope is that intermediaries, government institutions and other organizations developing systems to M&E the effectiveness of climate financing, can benefit from the experience of the institutions included in this report.

In general, **intermediaries are working hard to develop or improve tools, frameworks, and methods to assess the effectiveness of climate finance.** The paper also briefly considers the **UNFCCC reporting framework**, and finds that if developed to its full potential, this **could provide an excellent platform to assess the effectiveness of climate finance.**

Nevertheless, **intermediaries can do much more to develop rigorous and consistent methods to evaluate**

transformative impacts (AfDB et al., 2010). Other important findings are:

- **Results-based M&E systems** that embed a core group of qualitative and quantitative climate-related indicators into projects themselves, and guidelines on how to use them, would streamline evaluations and promote consistency and comparability.
- **Real time impacts evaluations** may provide valuable early insights on progress and facilitate corrections during the project implementation phase, and more accurate assessments of the effectiveness of interventions over time.
- Internal and external **information sharing promotes faster learning** and better accountability.
- Building on project evaluation models, **portfolio-based approaches may highlight particularly innovative or transformative investment options**, and possibly allow more strategic interventions with lower transaction costs.

The reform and review underway suggest that **lessons are being applied to existing and new tools, methods or strategies to monitor and evaluate finance more effectively.** For example the Climate Investment Funds' use of investment criteria, results frameworks and work to narrow indicators to a core group has potential to streamline monitoring and evaluation while retaining robust benchmarks. Alternatively, Norway's introduction of real time evaluations and qualitative indicators to evaluate impacts on international negotiations and progress toward country-specific policy frameworks, recognises that many interventions themselves are often means to an even greater end – a coordinated international response. Both examples – more rigorous assessment of objectives and detailed measurement of impacts, as well as better real time understanding about what is working and what is not – will be essential ingredients to enable true comparisons of, or understanding about relative effectiveness.

The final ingredient for a successful M&E system is **simplicity.** It is important to balance the need for rigor and comprehensiveness with the recipient country's capabilities and related transaction and administrative costs, and to focus on information that is genuinely required to understand how well money is being spent and the impact it is having on tackling the global challenge of climate change.

1. Introduction

Bilateral and multilateral financial intermediaries play a key role in the climate finance landscape and are responsible for distributing a large share of public resources (Buchner et al., 2011a). Governments use intermediaries for a number of reasons, including: to build on the expertise and experience of intermediaries; to benefit from their comparative advantage and networks; to address transparency concerns; to diversify investment portfolios, and to benefit from risk sharing opportunities (Buchner et al., 2011b). Furthermore, with concessional climate finance flows still shy of estimated needs (AfDB et al., 2010), governments also seek to capitalize on intermediaries' capacity to leverage substantial additional resources from multiple sources – public and private.

Against the twin challenges of massive scale-up of international investment flows, and domestic budgetary austerity, there is growing pressure to demonstrate that public finances are well spent. The ability to demonstrate effectiveness, by maximum climate, environmental and social impacts per dollar spent – will help governments to secure allocations over the medium and longer term. This will be an important element of meeting the goal set by the international community to mobilize USD 100 billion a year by 2020 from all sources.

To date, our understanding about the effectiveness of climate finance interventions is limited. Several information gaps impede the identification of what is needed to enhance it and, in particular, there is a lack of empirical evidence derived from 'on the ground' experiences (Buchner et al., 2011a).

Recognizing the multi-dimensional character of the climate challenge, this paper considers practices across agencies, particularly with respect to mitigation interventions,¹ to survey existing tools and methods used to monitor and disseminate the impact of public climate finance² and consider how these are being improved or adapted, and why. The aim is to survey the current state of practices, highlight emerging best practices and lessons that could advance the assessment of climate finance effectiveness.

This research paper is part of a broader research

¹ For insights on adaptation interventions, see e.g., Lamhauge et al., (2012) and GIZ (2011).

² 'Public climate finance' originates from domestic public budgets that collect resources raised through general taxes and from carbon pricing mechanisms (Buchner et al., 2011a).

project led by a consortium of researchers from the Environmental Defense Fund, Climate Policy Initiative, Brookings Institution and Overseas Development Institute.³ It surveys the frameworks, procedures and methods currently applied by a selection of multilateral and bilateral development finance institutions and funds to assess the effectiveness of their public climate finance spending.

The multilateral financial institutions (MFIs) and initiatives on which we focus our analysis are:

- the Asian Development Bank (ADB);
- the International Bank for Reconstruction and Development (IBRD);
- the International Development Association (IDA);
- the Climate Investment Funds (CIFs); and
- the Global Environmental Facility (GEF).

The bilateral financial institutions (BFIs) and initiatives on which we focus are:

- the German Development Bank (KfW Entwicklungsbank, KfW);
- the French Development Agency (Agence Française de Développement, AFD); and
- the Norway International Climate and Forest Initiative (NICFI)

In addition, this paper also considers the United Nations Framework Convention on Climate Change (UNFCCC) reporting system, which has potential to influence the character, depth and breadth of publically available information on climate-specific support and finance.

For each intermediary examined, the paper poses the following questions:

- What tools, frameworks, and methods are currently used to assess the effectiveness of climate finance?
- Has there been any recent progress to improve monitoring and evaluation of climate finance effectiveness?
- Are there lessons that can be applied to existing and new tools, methods or strategies to monitor and evaluate finance more effectively?

³ Published background papers in the series can be downloaded at the following link: <http://climatepolicyinitiative.org/our-work/publications/>; <http://climatepolicyinitiative.org/wp-content/uploads/2011/11/Effectiveness-of-Climate-Finance-Methodology.pdf>.

To guide our enquiry, we considered the following factors and explored whether work has been done, or is planned, to revise or improve existing systems:

- Is there a climate-specific monitoring and evaluation framework?
- Is evaluation conducted independently?
- Is a results-based management framework in place?
- When is evaluation undertaken (for example, before, during, or after the completion of an intervention) and what is being evaluated (projects, program or portfolio)?
- Does evaluation after the completion of interventions take into account impacts on greenhouse gas emissions?
- Do intermediaries publish the findings of evaluations?

Finally, we use the broader threads from the M&E survey to assess whether the emerging lessons trigger trends to improve the measurement and evaluation of climate finance effectiveness.

2. A Survey of Existing Monitoring and Evaluation Frameworks

2.1 United Nation Framework Convention on Climate Change

A framework for reporting and assessing (climate) finance

Before moving to our discussion of the intermediaries previously identified, we consider briefly the current reporting framework for support established under the UNFCCC and its Kyoto Protocol. Under the UNFCCC, all Parties are required to prepare National Communications to report the activities they are undertaking to implement the Convention, including the provision of financial resources and other support activities. Current reporting guidelines require different types of information from developed and developing countries. Recent studies confirm that the existing framework for climate finance lacks transparency, comparability, and comprehensiveness (Buchner et al., 2011b; Ellis et al., 2010a, 2010b, 2011; Corfee-Morlot et al., 2009; Tirpak et al., 2010; Fransen, 2009). Despite overall improvements in the reporting by Parties in the Fifth National Communications, information remains patchy⁴ and, most importantly, the framework does not provide comparable data on whether finance provided is received and is effective (Buchner et al., 2011b; Ellis et al., 2011).

According to the UNFCCC guidelines, Annex I Parties *shall* provide a detailed description of policies and measures (PaMs) and *should* provide – ‘as appropriate’ – a quantitative estimate of the effects of individual PaMs, or collections of PaMs, on greenhouse gas (GHG) emissions.⁵ Such information includes estimated changes in activity levels and/or emissions and removals due to adopted and implemented policies and measures reported, as well as a brief description of estimation methods. Information should be presented as a *post-project* estimate for a particular year such as 1995, 2000, and 2005, and *pre-project* for 2010, 2015, and 2020; not for a period of years.⁶

4 According to UNFCCC (2011), the principal outstanding issues are: the need for reporting on all elements of the UNFCCC reporting guidelines, on emission scenarios and estimates of the impact of PaMs, on financial assistance and technology transfer.

5 Parties may also include information on the costs of PaMs and on non-GHG mitigation benefits.

6 The total effect is supposed to be estimated as a difference between ‘with

Yet, neither Annex I nor non-Annex I National Communications establishes a standardized methodology for quantifying, or at least consistently measuring, the three most important categories of support: finance, technology and capacity-building support. Such a methodology would shed light on the uses of resources, particularly financial resources, and could steer support towards more productive activities.

In addition, only Annex I National Communications are subject to in-depth expert reviews, though these reviews focus on reporting rather than implementation and there are no specific verification procedures regarding data on support. The establishment of a coherent and comprehensive verification process for the information provided both by Annex I and non-Annex I countries on provision and receipt of support and in particular, financial support, could be a first step towards more complete and reliable data.

Has the UNFCCC improved its framework to monitor climate finance?

The current UNFCCC reporting framework for financial support is based on the guidelines for National Communications. These are relatively dated for both Annex I countries (the last revision was completed in 1999: UNFCCC, 1999) and non-Annex I countries (last revised in 2002: UNFCCC, 2002) and lack sufficient detail to facilitate a global understanding of the types and volume of support provided and received – let alone whether it is effective. Some Parties themselves emphasize difficulties related to the reporting guidelines and stress the need to improve them.⁷

In the Cancún Agreements, Parties agreed to improve the framework for reporting climate finance and support, and to report information more frequently. They also agreed to develop processes to review these: through international assessment and review for Annex I Parties (building on current reporting guidelines for National Communications), and a process of international consultation and analysis for non-Annex I countries.⁸

measures’ and ‘without measures’ scenarios. Total effects may be presented as an aggregation of the individual effects of each significant policy and measure.

7 For example, Australia has highlighted the danger of incomplete reporting as well as over-reporting given other reporting requirements. Australia suggested the establishment and implementation of a definitive set of markers to facilitate and improve future national communications through the UNFCCC in order to enhance the quality and usefulness of National Communications (http://unfccc.int/resource/docs/natc/aus_nc5.pdf).

8 UNFCCC (2011b), Draft decision - /CP.16, <http://unfccc.int/files/meetings/>

Decisions of the Conference of the Parties in Durban (in CP/17) consolidated progress on both counts, particularly in relation to the establishment of guidelines for biennial reporting by all Parties. In respect of developed countries, these build on the 1997 UNFCCC reporting guidelines and provide further clarity⁹ on what should be covered by financial reports including through the use of common tabular formats. The push to standardize financial reporting by developed country Parties is a particular focus and will be the subject of ongoing technical work. More standardized reporting would undoubtedly improve the comparability of data as well as enabling more transparent data collection, information sharing and accountability of Parties' progress in delivering their financial commitments. There is also recognition that developing countries hold important pieces of information and should also provide more complete reports about support received. Without this, our understanding of climate finance flows will remain incomplete and global assessments of effectiveness will be difficult to achieve.

In Durban, Parties governments also agreed to establish a voluntary *web-based registry* to record developing country mitigation actions (NAMAs) seeking international support. A key function of the Registry is to help match these with different forms of available financial, technology and capacity building support. This decision¹⁰ also provided additional specificity about information to be provided by developed country Parties about available support, and after resources have been 'matched', subsequent information submitted by developing country Parties on support actually received.

Challenges ahead include the need to agree critical details and rules for reporting financial information, and options to draw information held by intermediaries, private and non government organizations into the

reporting system.¹¹ Progress will be unlikely before COP 19 in 2013. In the meantime, to boost transparency and accessibility of information about climate financing, the UNFCCC Secretariat has recently established an online portal of the climate finance data reported by Parties in their National Communications.¹²

Main conclusions/lessons learned

The current reporting framework under the UNFCCC does not purport to be a framework to assess the effectiveness of climate finance. However, if developed to its full potential, it could provide an excellent platform to facilitate such assessments.

- Until the information reported by all Parties is more complete and comparable, it will remain difficult to properly evaluate the effectiveness and productivity of climate support programs.
- This in turn will hinder learning by countries about how to spend their money effectively.
- Recent decisions that call for revisions to guidelines and methodologies related to finance pave the way for a stronger base from which to assess the effectiveness of support.

[cop_16/application/pdf/cop16_lca.pdf](http://unfccc.int/cop16/application/pdf/cop16_lca.pdf).

9 The provisions specify information should be provided on: amount of financing, type of support (whether for mitigation or adaptation interventions), source of funding; financial instrument, sector and information to demonstrate how support provided is new and additional. Annex II Parties are also asked to report, to the extent possible, on private financial flows leveraged by bilateral climate finance in non-Annex I Parties in addition to policies and measures that promote the scaling up of private investment. Information should be provided on an annual basis, without overlaps with previous reporting periods.

10 See UNFCCC (2012). For example, developed countries are asked to specify: whether the support available is for preparation and/or implementation of nationally appropriate mitigation action; the source of the support, including, where applicable, the name of the developed country Parties in question; the status of delivery.

11 The Subsidiary Body for Technical Advice has been asked to develop common reporting formats before COP 18 in 2012. It is unclear how other key players in the current climate finance landscape might report information they hold on climate finance flows to the UNFCCC. However, development of a strategy to better integrate financial reporting outside of the UNFCCC framework might fall within the mandate of the Finance Standing Committee established at Durban, to 'improve coherence and coordination in the delivery of climate change financing' [...] including on 'measurement, reporting and verification of the support provided to developing countries'.

12 The UNFCCC Finance Portal for Climate Change can be accessed at: <http://unfccc.int/pls/apex/f?p=116:1:3103786635115604>.

2.2 Asian Development Bank (ADB)

Total climate finance portfolio	USD 10 billion (2009-2011) ¹
Climate-specific monitoring and evaluation framework	✓
Independent evaluation	✓
Results-based management framework	✓
Real-time evaluation	↗ Increasingly promoted
Post-project evaluation	✓
Post-project evaluation of GHG impacts	↗
Public disclosure of evaluation findings	✓

¹ ADB's investments in climate change interventions over the past three years; these include more than 110 projects in over 40 countries. Between 2009 and 2011 ADB also provided almost USD 250 million in technical assistance support to improve knowledge and capacities, to promote institutional development, and build climate resilience. ADB (2012a).

HIGHLIGHTS

In 2008, ADB's Board of Directors approved a Strategy to guide its operations to 2020 (ADB, 2008). Tackling climate change is one of four key operational and institutional goals, and features prominently in the Strategy 2020 ('the Strategy').¹³

In the same year, the Bank strengthened its institutional systems for monitoring and evaluating climate programs, including by establishing a dedicated Climate Change Program Coordination Unit, launching internal initiatives to raise awareness, promoting coherence in the bank's climate-related responses, and mainstreaming climate change into ADB operations (ADB, 2010a).

In 2010, the Bank articulated its priorities for its climate change responses: build the institutional capacity of the Bank's clients to respond to climate change; promote policy incentives that enable climate resilient and low-carbon growth; scale up financing for low-carbon energy, transport and urban development and adaptation; and promote regional actions to tackle climate change (ADB, 2010b).

The ADB's Clean Energy Investments report (ADB, 2012b) indicated that it allocated USD 2.1 billion to clean energy investments in 2011, exceeding its target of USD 2 billion per year by 2013, two years ahead of schedule.¹⁴

¹³ The ADB states its goal is 'to scale up support for environmentally sustainable development, including projects to reduce carbon dioxide emissions and to address climate change.' With respect to climate change, the Strategy covers five priorities: expanding the use of clean energy, encouraging sustainable transport and urban development; promoting climate-resilient development; and strengthening related policies, governance, and capacity (ADB, 2010a).

¹⁴ Representing 55.5% of the total USD 2.1 billion, renewable energy invest-

Frameworks, procedures and methods assessing the effectiveness of (climate) finance

As early as 2003, ADB laid the foundation of its result-based management system, establishing a Results Management Unit (SPRU) under the Strategy and Policy Department with responsibility for facilitating the design and implementation of results management policies, actions, practices, and procedures. With the introduction of the Strategy, ADB developed a new corporate results framework in 2008 that incorporated baselines and intermediate targets to support the Strategy's implementation. This is currently under review, and ADB intends to adopt an updated framework by early 2013 (ADB, 2012c).

Progress on ADB climate change interventions is monitored and evaluated (M&E) as part of a corporate-level review of the implementation of the ADB 2010 'strategic priorities of action' (ADB, 2010b). The review includes an assessment of the effectiveness of identified priorities, and of the monitoring and evaluation procedures applied to all ADB projects and activities. A project classification system introduced in 2009 provides improved data to facilitate these efforts. Aside from these individual project evaluations, only a few evaluation reports were identified that specifically relate to aspects of the Bank's climate financing activities (see Box 1). ADB has committed to providing annual updates on its climate change activities, building from a baseline it established in its 2009 Climate Change Implementation Plan (ADB,

ments make the largest share of ADB 2011 clean energy investments. With investments of USD 950 million, energy efficiency projects account for the rest, registering a significant increase compared to the USD 340 million invested in 2010.

2009),¹⁵ which covers all five of its regional operation departments.

M&E is carried out by ADB operational staff, complemented by consultants if specific skills are required. The evaluation is supplemented by the ADB's Independent Evaluation Department (IED, formerly the Operations Evaluation Department). Although in existence since 1978, the IED only became an independent department in 2004. It reports to the Board of Directors through the Development Effectiveness Committee, which consists of up to six members of the Board, and helps the Board to ensure that ADB activities are effective. ADB's management responds to evaluation findings and recommendations; management responses and evaluation reports are published and made available on the Bank's web site (OECD, 2010; ADB IED, 2010).

MONITORING

In addition to the monitoring efforts across ADB's climate change program, a design and monitoring framework (DMF) is prepared for each ADB project during the project concept stage. The DMF guides monitoring and evaluation of the achievement of development results based on a logical framework analysis (LFA) structure. It tracks *inputs, outputs, outcomes*

¹⁵ The Climate Change Implementation Plan aims to identify climate change issues and guide responses in member countries. Alongside, ADB has also developed a supporting action program for adaptation (Climate Change Adaptation Program).

and *impacts*,¹⁶ using information that is reported on a quarterly basis. ADB uses an IT platform, 'eOperations', to record country and project level information and to store documentation from project concept through to *post-project* evaluation (ADB, 2011a; ADB, 2011b). All ADB projects are also subject to environmental safeguards under the 2009 Safeguard Policy Statement. This includes consideration of intended or potentially unintended climate mitigation or adaptation outcomes of projects, and requires the measurement of GHG emissions if they are expected to exceed 100,000 tons per year as a consequence of the project.

EVALUATION UPON PROJECT COMPLETION

ADB's post-project evaluation procedures consist of self-evaluation, in the form of a project completion report prepared within 12-24 months of project completion by those responsible for its design and implementation, and independent evaluation carried out by the Bank's IED. The IED suggests its evaluation work is moving away from a project-level focus to a focus on progress at the country level. This is supplemented by sector evaluations, thematic assessments (Special Evaluation Studies), and evaluations of ADB's business processes (ADB, 2011b). The IED also prepares an Annual Evaluation Review, which synthesizes key findings and lessons from evaluations of ADB's operations

¹⁶ The ADB notes that its evaluation method has evolved away from a focus on input-output relationships using economic analysis, to inputs-impacts performance indicators.

Box 1. Assessing the effectiveness of ADB's Clean Energy Financing Partnership Facility (CEFPF)¹

The CEFPF was set up in 2007 to improve energy security, promote the deployment of low-carbon end-use technologies, and decrease the impacts of climate change by providing loans, grants, and technical assistance to support clean energy. It hosts three funds: (i) the multi-donor Clean Energy Fund; (ii) the Asia Clean Energy Fund; and (iii) the Carbon Capture and Sequestration Fund.² According to ADB, in 2011 cumulative allocations reached USD 66.7 million for 79 projects and resulted in total clean energy investments of USD 1.8 billion (a 1:27 leverage ratio). ADB estimates an emission reduction impact of 6 MtCO₂/year from all CEFPF-financed clean energy investments (ADB IED, 2012).³

A 2010 Special Evaluation Study (SES) by ADB's IED examined the performance of three Financing Partnership Facilities including the CEFPF, and projects financed by the Facilities themselves. The study assessed their *relevance, effectiveness, efficiency, and sustainability* to the extent possible given the short period of operation to date.⁴ In view of availability of

- 1 Financing Partnership Facilities (FPFs) are intended to be 'platforms' for strategic, long-term, multi-partner cooperation. Unlike previous single-donor and multi-donor trust funds, FPFs provide financing based on agreed-upon objectives in a more sustained and mutually beneficial manner.
- 2 The Clean Energy Fund is supported by Australia, Norway, Spain, and Sweden; the Asia Clean Energy Fund by Japan; and the Carbon Capture and Sequestration Fund by the Global Carbon Capture and Storage Institute in Australia.
- 3 ADB estimates as of 31 December 2011. Clean energy includes renewable energy, energy efficiency and cleaner fuel (ADB, 2012).
- 4 The IED approach to performance assessment and rating draws upon the IED's 2006 Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations. To complement the assessment, the SES also included (i) a progress review of FPF activities, (ii) a process review of

data and timeframe, the evaluation focused more on processes⁵ than on outcomes and impacts, and did not present a clear assessment of what is, or is likely to be, delivered from the resources invested.

The IED recommendations included consolidating trust funds outside the FPFs into the FPFs, citing the benefits of economies of scale and financial sustainability. However, it did not make a clear case that money is more effectively spent within, as opposed, to outside of the FPF. The IED's evaluation was limited by the lack of data available to construct counterfactual scenarios and by weaknesses⁶ in the CEFPF design and monitoring framework, which has since been revised and implemented (ADB, 2012d).

The effectiveness component of the assessment reviews both the facility and individual projects' likelihood of achieving their intended results – as defined in the design and monitoring framework – and value added. The IED concluded that the FPFs are 'effective'. Notwithstanding, it recommended to improve the design and monitoring frameworks of the FPFs, paying particular attention to improving input indicators (to determine whether the scope for efficiency improvement exists) and outcome indicators, as well as to the cost of inputs.

Possible weaknesses in the IED's assessment include the absence of post-project GHG reduction impact estimates; and the lack of a robust assessment of the additionality (that is, assessment of the impact and leveraged investment that could have materialized from a similar clean energy project in the absence of the CEFPF), or added value provided by funded projects. As the portfolio matures and more data becomes available over time, these would be essential components of a meaningful assessment of effectiveness.

In the absence of a counterfactual scenario⁷ against which to benchmark assessments of effectiveness, the SES does include a short qualitative discussion of individual project examples, which provides valuable information on the likely additionality of CEFPF-funded activities. For example, the IED highlighted the demonstration and deployment of a new technology that recipient countries would otherwise have been reluctant to pursue, in part because the technology was significantly more expensive than conventional technologies. If successful, the project could provide a model that if replicated by other private sector investors in the country, would have a transformational impact on the energy sector. Another example describes the use of partnership funding with host governments to extend the reach of energy savings programs beyond the counterfactual. Such cases provide information on the substance of activities funded, as well as valuable best practices, and can support discussions on how funding should be prioritized.

ADB's CEFPF annual reports and semi-annual reports, track progress towards outputs, outcomes, and impacts specified in the design and monitoring framework. Annual and cumulative CO₂ emission reductions and energy savings triggered by CEFPF finance are estimated (tCO₂/year) for each project, but the methodologies used to derive these estimates are not reported. It is thus unclear for which year estimates are provided (assumed to be a mixture of years that depend on expected project completion dates). Following project implementation, the project completion report will recalculate the actual GHG abated, energy reduced, and/or increase in renewable energy share.

In terms of other progress, the ADB reports it surpassed its goal of deploying at least three 'new' clean technologies by 2010. However, the target was very low and the definition of what constituted 'new' was broad. The revised DMF established a new target of 55 new clean energy technologies by 2013, and two CCS demonstration projects.

Like the SES, annual reports also track the CEFPF's impact on lowering barriers to new technology through policies that support clean energy, the use of financing models to bundle small investment projects and through education and communication. Measurement of the number of projects deploying new technologies or aiming to reduce barriers, however, does not necessarily provide information on the quality or effectiveness of those projects.

FPF operations, and (iii) a comparative assessment of other aid agencies. Methods used are largely qualitative and involve desk-based reviews of previous evaluations, ADB operational data and comparative assessments), perception surveys; and key informant interviews with stakeholders including ADB staff, client governments, and development partners in recipient countries. Methodologies used to assess the effectiveness of the FPFs include some quantitative methods, such as a review of indicators set out in the DMF, a comparison of project costs before and after the advent of FPFs, a comparison of project costs for non-FPF projects, and an assessment of the extent to which additional funding sources have been leveraged.

5 For example chronic implementation delays and possible overuse of direct charge modalities which use an expedited processing cycle. ADB (2012) reports that following the Special Evaluation Study, the CEFPF performed an assessment of its portfolio, concluding that projects supported by the facility are actually implemented faster than other ADB projects.

6 Weakness highlighted by the IED include that the DMF: (a) comprise results and activities for the Climate Change Fund, which is not a CEFPF fund; (b) does not set intermediate targets for achieving the impact and outcome indicators set for 2020; (c) does not always specify the value the performance targets should achieve; and (d) expresses the target values of the outcome indicators as a range rather than an absolute value without reference to any base value.

7 A counterfactual scenario aims to understand what would have happened in the absence of the financed intervention.

In the context of increased demand and limited resources, the 2010 annual report called for closer examination and prioritization of project proposals. The 2011 report mentioned room for improvement, i.e., striving for allocating resources prioritizing the implementation of clean energy projects with direct GHG emission impacts and, following the 2011 Annual Consultation Meeting between donors and ADB, prioritizing projects with potential for replication and scaling-up (ADB, 2012d). The 2011 report contains the revised design and monitoring framework for the CEFPF. Quantified emission reduction targets remain as 'outcomes' rather than outputs, to be reported only as pre-project estimates of impacts rather than interim estimates of reduction actually delivered.

Sources: ADB 2012d; ADB 2010a; ADB IED 2011e; ADB IED 2010a; ADB IED 2010d,f.

in the previous year. Key attributes evaluated are *relevance, efficiency, effectiveness, and sustainability*.¹⁷

Of the Special Evaluation Studies published on ADB's website, only a few focus on climate change including studies evaluating, for instance, the Clean Energy Financing Partnership Facility (see Box 1) (ADB IED, 2010b), the reduction of carbon emissions from transport projects (ADB IED, 2010c) and the evaluation of energy efficiency interventions (ADB IED, 2012; 2011a).

Has ADB improved its monitoring and evaluation of climate finance effectiveness?

ADB's procedures for M&E have been revised on numerous occasions, highlighting a strong commitment to manage for results (ADB, 2012c). In 2010, results-oriented country portfolio reviews (CPRs) were introduced, which may improve the monitoring of progress.

The IED has undergone many organizational changes, most recently following the 2008 Review of the Independence and Effectiveness of the Operations Evaluation Department (OED) (ADB, 2008b). The Review, carried out by members of ADB's Board of Directors and two external experts, recommended a number of organizational changes to enhance the IED's independence and evaluation procedures.

Based on one of these, the Management Action Record System (MARS) was established in 2009, to monitor the cumulative progress of management to act on IED recommendations, and incorporate these into decision-making and management action plans. According to MARS, within two years of its establishment, management had responded to 239 out of 251 recommendations and agreed to implement 217 or 91%.

The IED appears to have successfully promoted learning

¹⁷ In line with the 'Principles for Evaluation of Development Assistance' developed by the OECD Development Assistance Committee; see OECD-DAC, 2002.

from evaluations by intensifying knowledge management and disseminating evaluation findings and recommendations to targeted audiences (ADB IED, 2011b). Notwithstanding, the IED's 2010-2011 Annual Evaluation Reviews (ADB IED, 2010e; ADB IED 2011b) highlight the need to:

- strengthen real-time (or formative) evaluation of operations so that corrective action can be taken, increasing the likelihood of a project achieving its intended outcomes;
- deepen and carry out evaluative mid-term project reviews that go beyond the current focus on inputs and implementation and also assess the likelihood of a project achieving its intended outcomes. To this end, the IED recommends that guidelines for preparing DMFs and carrying out results-based mid-term reviews be improved, with greater recipient country participation (supported by capacity building), using country monitoring systems where possible. In 2011 the IED reported that some progress was made on these aspects (ADB IED, 2011)¹⁸;
- undertake post-completion monitoring of selected projects and programs focusing on outcomes, sustainability, impact, and monitoring arrangements, in order to improve prospects for a project's long term sustainability (ADB IED, 2011); and
- strengthen ADB's risk management by identifying and mitigating risks and enhancing the sustainability of project/outputs and outcomes (ADB, 2011).

A 2011 review of the CEFPF DMF took into account these recommendations. The revised DMF now integrates the targets of the different clean energy funds

¹⁸ ADB IED (2012d) reports for instance that a number of actions to bolster DMF quality are currently ongoing e.g., with the introduction of internal quality control mechanisms, training on DMF project preparation and revision to DMF guidelines.

managed by ADB, and reflects a higher level of ambition with the addition of indicators such as access to energy, environment and economic co-benefits as well as higher target levels for performance indicators. ADB has recognized that the target indicators for impacts, outcomes, and outputs are very ambitious and, in the next review of the DMF, it will modify them according to ADB's operations (ADB, 2012d).

Following these revisions to the DMF, the CEFPP manual and guidelines on monitoring and reporting were also revised and brought into alignment with the additional impacts, outputs, and outcome indicators (ADB, 2012d).

Main conclusions/lessons learned

ADB has recently introduced annual reporting on its climate finance spending. However no specialized procedures exist to evaluate the effectiveness of climate spending beyond the M&E procedures applied to all ADB projects and activities. The recently updated DMF and results-oriented country portfolio reviews may improve real-time evaluation and provide better scope to measure climate finance effectiveness. The CEFPP Special Evaluation Study suggested the following lessons:

- Project proposals need to be examined more closely and prioritized. Selection and approval processes should favour projects with high effectiveness potential.
- Reporting on the volume of finance provides little information on effectiveness. Qualitative discussions about specific project examples provide more valuable insights into the added value of CEFPP financing. Further explanation of the high leverage rates would help clarify the role of CEFPP financing in overall the project financing structure.
- While the ADB provides pre and post-project estimates of the GHG impacts of each CEFPP project, these are not measured while the project is in train. More transparent methods to estimate impacts would improve the comparability of data with projects outside the CEFPP.
- Compared to the World Bank, the ADB's evaluation unit seems less critical of the ADB's operations. However the limited duration of the financing partnership facility (FPF) has restricted the focus of the SES to process considerations.

2.3 The World Bank: International Bank of Reconstruction and Development (IBRD) and International Development Association (IDA)

Total climate finance portfolio ¹	More than USD 6 billion
<ul style="list-style-type: none"> ▪ IBRD ▪ IDA 	USD 5,565 million (2011) USD 560 million (2011)
Climate-specific monitoring and evaluation framework	✓
Independent evaluation unit	✓
Results-based management framework	✓
Real-time Evaluation	↗
Post-project evaluation	✓
Post-project evaluation of GHG impacts	↗
Public disclosure of evaluation findings	✓

¹ Figures represent the amount of resources committed by IBRD and IDA to projects approved in 2011 under the climate change theme. These, therefore, does not necessarily reflect the amount ultimately disbursed for projects. Source: World Bank project database, accessed in June 2012.

HIGHLIGHTS

According to the World Bank projects database, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) committed over USD 6 billion to climate change-related activities in 2011.¹⁹

Frameworks, procedures, and methods for assessing the effectiveness of (climate) finance

APPRAISAL AND MONITORING

In 2008, the World Bank Group (WBG) adopted its *Strategic Framework on Development and Climate Change* (SFDCC) - a road map for the WBG from 2008-11. While prioritizing development outcomes, the Framework encouraged the use of low-carbon growth opportunities to achieve development goals and set out a number of objectives to enhance resilience to climate risks and address mitigation and adaptation needs (WBG, 2008a,b).²⁰ After extensive stakeholder

consultation, a new Environment Strategy was released in June 2012. It articulates an ambitious agenda to support 'green, clean, resilient' pathways for developing countries over the 2012-2022 timeframe. The Strategy established priority actions and aims to mobilize additional sources of financing while promoting knowledge and innovation (WBG, 2012).

A long-term results framework with indicators structured along the results chain supports the delivery of measurable results.²¹ These indicators may be refined over time as the WB standardizes the core sector indicators (WBG, 2012). To avoid duplication the framework builds on the existing WBG corporate and sectoral results measurement systems.

The Bank, in fact, started to include results frameworks in its operations as early as 2004.²² All new sector and country strategies include measurable results indicators, and all projects rely on monitoring and results frameworks to guide implementation. While the IEG has noted real improvements in the results orientation of Bank operations (IEG, 2009a), these systems appear to

19 The Climate Investment Funds, for which IBRD is the Trustee, are covered separately in this report. This paper does not consider the International Finance Corporation (IFC), the private sector financing arm of the World Bank Group, which invested about USD 1.7 billion in clean energy and climate friendly projects in each of the last two years (14% of its total commitment), plays an important role in the climate finance landscape ([IFC.org](http://www.ifc.org)).

20 The SFDCC included commitments to screen all energy projects for energy efficiency opportunities and water projects for climate risks. It also set out

criteria that restricted WB support for coal power to instances where coal has the lowest cost after environmental externalities are taken into account, where there is optimal use of energy efficiency, and where no concessional funds are available to fund low-carbon alternatives.

21 WBG (2012) presents the Strategy's priorities as well as the result framework for each of the key themes under the agenda.

22 For additional information see the WBG web site at: <http://web.worldbank.org>

capture only limited information on the effectiveness of finance for climate mitigation and adaptation.²³

IDA uses its Results Measurement System (RMS) to track, monitor and evaluate its contributions to results. As part of this framework, IDA has developed a new set of core indicators to better capture the *development* impact of renewable energy projects, and is currently reviewing its energy efficiency indicators (WB, 2010a). Further enhancements to the RMS are envisaged under IDA's sixteenth replenishment (IDA16, 2012-2014) (IDA, 2011).

The Independent Evaluation Group (IEG) is the unit responsible for evaluating the activities of IBRD and IDA, and their progress towards stated objectives. It reports directly to the WBG's Board of Directors through the Director-General Evaluation (see Appendix 1 for the summary of the IEG evaluation of the WBG).²⁴

Today, all WBG projects are subject to initial screening for adverse environmental and social impacts. However, an IEG review of recently closed projects in the agriculture, environment, and water sectors indicated that few impact evaluations collected even the minimum information necessary to assess results (IEG, 2009a).²⁵

Until recently, information on GHG reductions that resulted from World Bank projects was only included routinely for GEF-financed and carbon finance-related projects. The Bank has gradually started to include projected carbon benefits in appraisal documents, and to identify new projects with climate mitigation or adaptation benefits, partly in response to a mandate from IDA. The IEG (2009a) rated the M&E quality for projects closed in 2007 and 2008 as modest or negligible in three of five cases. Key criticisms include the use of too many indicators, a focus on outputs rather

²³ Furthermore, the current version of the relevant WB Operational Policy (OP 13.05) stresses that project implementation is the responsibility of the borrower and while WB project supervision includes monitoring, evaluative review, reporting, and technical assistance, it is focused on monitoring progress against objectives, trouble-shooting, and evaluation only on completion.

²⁴ The IEG is in charge of evaluating the whole WBG, including the IFC and MIGA. See WBG web site at: <http://ieg.worldbankgroup.org/content/ieg/en/home.html>.

²⁵ The World Bank's Safeguard Policy on Environmental Assessment requires each project to undergo an environmental screening based on type, location, sensitivity, scale of the project, etc. It identifies projects likely to have an adverse environmental impact, and the appropriate extent and type of Environmental Assessment needed. It also determines whether the project triggers any other safeguard policies. Proposed projects are then classified into environmental categories from those most likely to have adverse impact to those that are least likely.

than outcomes, infrequent collection of baseline data, and lack of adequate data to assess impact.

Recently, the IEG called for enhanced economic and environmental outcomes assessment (IEG 2010a), and monitoring and evaluation of interventions that impact GHG emissions – particularly in the energy and forestry sectors. The IEG has suggested that data is currently insufficient for the effectiveness of climate finance to be properly evaluated.

In line with the practices of its private sector lending-arm (the International Finance Corporation), the World Bank has recently agreed, to roll out a GHGs footprint tracking system starting from fiscal year 2013-2014. This will particularly apply to the energy, transport and forestry sectors.²⁶

EVALUATION UPON PROJECT COMPLETION

The World Bank has two related strands of post-project evaluation:

1. self-evaluation of all projects is conducted by the responsible departments; and
2. independent evaluation by the Bank's IEG.

At the project level, following the completion of each project (approximately 270 per year), the responsible WB department prepares a self-evaluation report – or 'Implementation Completion Report' (ICR) – using input from the borrower government, implementing government agency, co-financiers, and other partners. ICRs compare the project's actual economic rate of return with the original estimate and rate the performance of borrowers, co-financiers and other partners. Similarly, all WB Country Assistance Strategies (CAS) are required to include a self-evaluation of the Bank's country program.

The IEG conducts an independent review of every ICR and CAS self-evaluation as well as each Note on Cancelled Operation, as part of its project-level evaluations.

In relation to development interventions (some of which have climate-related objectives), the IEG uses an objectives-based evaluation approach, to assess whether a project's actual outcomes are likely to achieve stated objectives. Although the IEG states that the relevance of objectives themselves is also evaluated, a focus on assessing performance against objectives seems to imply that the approach does not include a full impact

²⁶ Personal communication with World Bank on April 2012.

assessment. As a result, outcomes such as the intended and unintended GHG impacts of Bank projects are only measured if they are contained within the project's stated objectives.

The IEG objectives-based evaluation approach involves:

1. Assessing how project results compare to stated objectives, benchmarks, and standards;
2. Assigning performance rating criteria for
 - a. **relevance** (of objectives with regard to country needs and institutional priorities);
 - b. **outcome** including efficacy (that is, the extent to which development objectives are achieved or are likely to be achieved) and efficiency (the extent to which objectives have been achieved without using more resources than necessary);
 - c. **sustainability** (the likelihood that estimated net benefits will be maintained or exceeded over the life of the project);
 - d. **institutional development impact** (the extent to which the project improves the ability of a country to make better use of its resources), and
 - e. **bank and borrower performance**.
3. Counterfactual or 'what if' analysis.

The IEG supplements self evaluations with independent assessments; reviews of literature and analytical work, project documentation and portfolio reviews, country case studies and structured interviews, staff and stakeholder surveys, and impact evaluations, may all be taken into account.

A selection of projects is then chosen, on the basis of 'good' or 'poor' performance and their relevance to future sectoral or thematic evaluations, for further evaluation in a Project Performance Assessment Report (PPAR). Approximately 1 in 4 completed projects (about 70 per year) are subject to a PPAR, which typically involves a field visit and interviews with stakeholders. The PPAR rates project outcomes (taking into account relevance, efficacy, and efficiency), sustainability of results, and institutional development impact.

Other IEG outputs include:

- **Country Assistance Evaluations** (approximately 10 per year) examine Bank performance in a particular country – over a period of four to five years – and report on its conformity with the relevant Bank Country Assistance Strategy (CAS) and on the overall effectiveness of the specific CAS;

- **Process Reviews** (2 or 3 per year) are prepared in response to Board or external demands and examine ongoing activities for efficiency, consistency with stated objectives, and effectiveness. Past reviews have looked at aid coordination and development grant-making;
- **Corporate Evaluations** covering cross-cutting operational issues, such as safeguards and sustainability policies; and
- **Annual Review of Development Effectiveness** (ARDE), a meta-evaluation based on those above, provides a comprehensive assessment of the Bank's development effectiveness beyond the stated objectives of Bank activities.

The IEG also tracks the WBG management's response to its recommendations.²⁷ It identifies and disseminates the lessons learned from experience and helps to build local evaluation capacity. To ensure transparency, all project evaluations are made publicly available and to guarantee the independence of evaluation, the IEG's Director-General reports directly to the Board of Directors. The WBG management cannot alter IEG study findings or prevent their release.

Has the World Bank improved its monitoring and evaluation of climate finance effectiveness?

The World Bank Group has developed a results framework to support the new 2012-2022 Environment Strategy. Existing indicators may be further refined to capture the WBG's progress on the standardization of core indicators. The World Bank will also develop appropriate baseline indicators during the Strategy's first year of implementation as well as a new system to track climate finance, which will be rolled out starting in July 2012 (WBG, 2012).

To measure the contribution of IDA-supported actions to achieve development results under its sixteenth replenishment period, IDA will sharpen its focus on results effectiveness and efficiency through the implementation of internal reforms and new improvements to the RMS. For the first time, specific indicators that track progress on the IDA16 climate change 'special theme'

²⁷ 94% of the recommendations made were accepted by the WB's management, though about half of them were qualified. Due to 'differing interpretations' of what is considered completion of an action, there is a disparity between the rates of adoption reported by the Bank's management (50% as high or substantial in year one and 95% in year four) and the IEG (25% as high or substantial in year one and 63% in year four) (IEG; 2011).

have been integrated into the overall results framework (IDA, 2011).

The WB is currently developing project-specific approaches to incorporate environmental externalities into project appraisals. These apply GHG analysis to WB investments in the IFC portfolio, but only in the energy, transport, and forestry sectors (WB, 2010).²⁸ These are expected to be rolled out over 2013-14. The WB also proposes the formulation of new core indicators for energy projects under IBRD-financed operations and is exploring the role of carbon pricing in its analysis of project feasibility focusing on emission-intensive projects and sectors.

Overall, climate change is increasingly emerging as a 'strategic knowledge priority' for the Bank. The Bank hopes that developing customized knowledge and capacity-building products which can then be quickly translated into climate action and integrated in operations will support the development of stronger monitoring and evaluation systems and promote more effective, real-time lesson learning (WB, 2010).

Main conclusions/lessons learned

The WB has strengthened its corporate-level monitoring and reporting of results on several fronts. There is a strong commitment to improve the capture of information related to the effectiveness of climate finance.²⁹ New indicators for energy projects are in place in the IDA and are being developed for the IBRD (WB, 2010). Although the Bank has beefed up its results agenda in recent years, only about 60% of projects in 'hard sectors' (including energy) report economic rates of return at closing; and only about half of all project appraisals had an acceptable quality of economic analysis (IEG, 2010b). Economic and environmental assessments and work to monitor and evaluate investment and GHG impacts, all need to be more rigorous and more systematic (2009a).

- New methods to calculate GHGs are in the pipeline but will only apply to select energy, transport, and forestry sector projects.

- Although significant improvements have been made, further work is needed to strengthen the RMS and build statistical capacity (IDA, 2010).
- In recent years, several country evaluations highlighted the need for 'real time' monitoring of strategies, and timely adjustments where necessary (IEG, 2011).
- More comprehensive and systematic evaluation of the productivity of different investment options is needed (IEG, 2009a). While development projects are increasingly embracing rigorous approaches to impact evaluation (including randomized controlled trials), these are still very rare in climate-relevant areas.
- Most importantly, conducting evaluations after project disbursements stop makes it difficult to correct or change project design. The IEG's recommendation that the WBG should '*measure projects' economic and environmental impact during execution and after closure*' was rejected by WBG management on the grounds that concessional funds are not available for this purpose, and that the borrower has responsibility for long-term monitoring (IEG, 2010a).

²⁸ WB (2010) states that the WBG is advancing pilot work on GHG analysis. Given that methods for GHG analysis for the WB differ from those for the IFC, coordinated and concurrent work is carried out in each institution.

²⁹ IEG reports that two independent reviews, sponsored by the evaluation units of regional development banks, found that the WB's evaluation tools and approaches come closest to best practice among the multilateral development banks. For further information see: <http://web.worldbank.org/external/default/main?theSitePK=1324361&piPK=64252979&pagePK=64253958&menuPK=5039271&contentMDK=20790052>.

2.4 The Climate Investment Funds (CIF)

Total climate finance portfolio (pledged in 2008)	USD 6.5 billion
Climate-specific monitoring and evaluation framework	✓
Independent evaluation unit	MDBs' units
Results-based management framework	✓
Real-time Evaluation	n.a.
Post-project evaluation	✓
Post project evaluation of GHG impacts	n.a.
Public disclosure of evaluation findings	✓ via MDBs

HIGHLIGHTS

The Climate Investment Funds (CIFs) consist of two multi-donor trust funds: the Clean Technology Fund (CTF); and the Strategic Climate Fund (SCF). The CTF promotes scaled-up financing for the demonstration, deployment, and transfer of low-carbon technologies with significant potential for long-term GHG emissions savings. In order to achieve the maximum effect, emphasis is placed on providing co-financing for the implementation of national development strategies and programs with low-carbon objectives.

The SCF supports targeted programs with dedicated funding to pilot new approaches with the potential for scaled-up, transformational action aimed at a specific climate change challenge or sectoral response. It currently includes three sub-funds: the Pilot Program for Climate Resilience (PPCR), the Forest Investment Program (FIP), and the Scaling Up Renewable Energy in Low-Income Countries Program (SREP). The total amount initially pledged by 14 countries to the CIF Trust Funds (CTF and SCF) was USD 6.5 billion (2008) (CIF, 2012a).

IBRD is the trustee of the CIFs; it manages resources, makes transfers to implementing entities, and reports on the financial status of the Funds. The African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), and World Bank Group (IFC and IBRD) are the implementing entities of the CIFs.

Frameworks, procedures, and methods for assessing the effectiveness of (climate) finance

APPRAISAL

The CTF investment criteria for public sector operations (CIF, 2009a)³⁰ requires each project or program proposal to include the following information:

1. Potential for GHG emissions savings (direct CO₂e emissions savings over the lifetime of the proposed program/project);
2. Cost-effectiveness (CTF investment per ton of CO₂e reduced, expected technology cost reductions due to technological breakthroughs, organizational learning, and economies of scale);
3. Demonstration potential at scale (scope for avoided annual GHG emissions as a result of replication, market transformation, etc.);
4. Development impact (reductions in energy intensity of GDP, energy access, environmental co-benefits);
5. Implementation potential (existence of country and sector strategies, institutional capacity, and volume of co-financing leveraged from domestic, private and international sources); and
6. Additional costs and risk premium (rate of return and risk premium without CTF co-financing).

The CTF investment criteria also state that, where feasible, the CTF will develop a common database to support the decision-making process. This database could also be useful for tracking project performance.

³⁰ Additional criteria apply for private sector operations.

Have the CIFs improved their monitoring and evaluation of climate finance effectiveness?

The CIF Trust Fund Committees require implementing entities to provide annual reports on their CTF and SCF activities. The independent evaluation departments of these institutions will also jointly produce an independent evaluation of the operations of the Trust Funds and the impact of their activities after three years of operation based on agreed reporting criteria. Results achieved through the Funds will be published.³¹

In November 2011, the Trust Fund Committees formally requested evaluation departments of the implementing entities to undertake the evaluation of the Funds. To initiate the process and promote the evaluation's objectivity, the MDBs established a six-person Evaluation Oversight Committee (EOC). At the CIF Committee meetings in May 2012, the EOC proposed a structure, procedure, and an indicative evaluation schedule including a draft set of questions, and separately, criteria to help ensure the evaluation's objectivity. Feedback from the Fund Committees will inform the finalization of these documents, and provide a road map for the evaluation. According to the draft documentation, the final evaluation report will be presented at the CTF and SCF Trust Funds meetings in November 2013 (CIF, 2012b).

The CIF monitoring and evaluation system includes an overall CIF results framework and results frameworks for the CTF, PPCR, SREP and FIP³². The frameworks are

strategic M&E tools to assess the impact, outcomes, and outputs of CIF-funded activities. They are also intended to guide pilot countries' and MDBs' M&E of CIF-funded activities. The frameworks were developed through consultation within MDBs and with external stakeholders.

A working group was established in 2009 to harmonize the format, methods, definitions, and indicators of existing CIF results frameworks and to incorporate the findings of a parallel Strategic Environment Assessment of the CIFs carried out by MDBs in 2010 (CIF, 2010a,b). The frameworks are living documents and will be reviewed following a two- to three- year 'field-testing phase'. They are intended to operate within existing national and MDB M&E systems, and to be applied flexibly to take account of national capacities.

The results frameworks incorporate 'results statements' (see for example, Box 2) and use a logic model that aims to demonstrate the cause and effect 'chain' of indicators, from inputs and activities through to outputs, higher-level outcomes, and impacts (CIF, 2010c). Indicators are elaborated with baselines and targets, details on measurement aggregation, and means of verification. The performance measurement strategy included a plan to collect the data necessary to measure progress; it includes information on the timeframe and allocation of actions. CIF is considering narrowing indicators to a core group for each of the CIF funds, in order to simplify and streamline the M&E frameworks while retaining strong benchmarks.

31 CIF web site at: http://www.climateinvestmentfunds.org/cif/monitoring_and_evaluation%20.

32 In May 2012, the Trust Fund Committee approved a revised version of the SREP results framework (SCF/TFC.9/5, 2012). In June 2011, the FIP Sub-committee approved the FIP result framework. This, however, is still listed amongst the FIP pending decisions, see: http://www.climateinvestmentfunds.org/cif/fip_comments.

Box 2: CTF Results Framework Result Statements

Three groups of mandatory indicators form the basis of Result Statements for the CTF:

CTF TRANSFORMATIVE IMPACT

- Transformed energy supply and demand to low-carbon development pathways

CTF CATALYTIC REPLICATION OUTCOMES

- Increased investment in clean production and consumption technologies
- Strengthened the enabling environment for clean production and consumption technology
- Low-carbon technologies proven at scale
- Decreased air pollution from energy production and consumption

CTF PROJECT/PROGRAM OUTPUTS & OUTCOMES

- Direct GHG emissions avoided
- Increased employment
- Increased capacity to plan, manage, and finance clean technology solutions
- Sector specific results: transport, renewable energy, energy efficiency
- Leveraging new and additional resources for clean technology projects
- Integration of learning by a range of development actors involved in low-carbon development and climate resilience

Reporting against the CTF Transformative Impact and CTF Catalytic and Replication outcomes is the responsibility of each respective CTF host country. Reporting against CTF Project Outputs and Outcome Indicators is mainly the responsibility of the MDB implementing entities.

Source: CIF, 2010c.

Main conclusions/lessons learned

The Climate Investment Funds' use of investment criteria, results frameworks and possible narrowing indicators to a core group suggests the experiences of other intermediaries have been taken into account and lessons learned. Further effort is underway to streamline monitoring and evaluation while retaining robust benchmarks. However, some uncertainties remain:

- Investment criteria require all proposals to provide information about the potential effectiveness of the proposed project. Understanding the extent to which project approval decisions are based on this evidence would improve transparency and understanding.
- Results frameworks for the CIFs are comparatively transparent and robust, build on previous M&E experience (including of the WBG) and incorporate input from stakeholders. Indicators include baselines, targets, and details on measurement aggregation and means of verification. Linkages between the logic model and meaningful results statements improve understanding about what has happened and why.
- Work to streamline the indicators to a more representative group of core indicators should enable a useful assessment of the effectiveness of activities funded. However it remains to be seen how well the frameworks will be implemented in practice, and what the quality of the results will be – especially given that the results frameworks were elaborated largely *after* the approval of investment plans. Even so, they have potential to be a best practice example for other organizations engaged in providing climate finance.

2.5 The Global Environmental Facility (GEF)

Total climate finance portfolio	USD 1.4 billion (2010-14)
Climate-specific monitoring and evaluation framework	✓
Independent evaluation unit	✓
Results-based management framework	✓
Real-time Evaluation	↗
Post-project evaluation	✓
Post-project evaluation of GHG impacts	✓
Public disclosure of evaluation findings	✓

HIGHLIGHTS

Since its inception in 1991, the Global Environmental Facility (GEF)³³ has invested USD 3.84 billion in the climate change focal area to support mitigation, adaptation, and enabling activities. This investment has mobilized additional co-financing valued at more than USD 21.8 billion (UNFCCC, 2011). The GEF is the largest public-sector funding source that supports the transfer of environmentally sound technologies to developing countries and economies in transition (EITs) (GEF, 2010).

The GEF works through a partnership of ten agencies³⁴ that assist eligible governments and NGOs to develop, implement and manage projects. Finalized in 2010, the Fifth Replenishment of the GEF (GEF-5) will fund four years of operations and activities through to 2014. Donor countries (including developing countries) pledged USD 4.34 billion to GEF-5, including USD 1.4 billion dedicated to climate change mitigation (UNFCCC, 2011).

The GEF administers three trust funds: the Global Environment Facility Trust Fund (GEF), the Least Developed Countries Trust Fund (LDCF), and the Special Climate Change Trust Fund (SCCF).³⁵ The latter two, along with the already-completed three-year Strategic Priority on Adaptation (SPA), are the main avenues for GEF-related adaptation activities. The GEF also provides secretariat services on an interim basis to the Adaptation Fund.

³³ The GEF was established in October 1991 as an independent financial organisation to assist in the protection of the global environment and promotion of environmentally sustainable development. 182 governments are members of the GEF, which functions as the operating entity for the financial mechanisms of the: United Nations Framework Convention on Climate Change (UNFCCC); UN Convention to Combat Desertification (UNCCD); Convention on Biological Diversity (CBD); and the Stockholm Convention on Persistent Organic Pollutants (POPs). Although not linked formally to the Montreal Protocol (MP), the GEF also supports its implementation in countries with economies in transition (EITs). For each of the three Rio Conventions, the GEF is accountable to the relevant Conference of the Parties (COP) body, which provides guidance and decides on policies, program priorities, and eligibility criteria for funding.

³⁴ The GEF Agencies are: UNDP, UNEP, the World Bank (IBRD), FAO, UNIDO, AfDB, AsDB, EBRD, the IDB, and the IFAD. In November 2010, the GEF Council launched a pilot initiative to accredit new agencies – so-called GEF Project Agencies – with the aim of broadening countries' choices about the agencies with which they collaborate (GEF/C.40/Inf.4, 2011).

³⁵ LDCF focus areas include: water resources; food security and agriculture; health; disaster preparedness and risk management; coastal zone management and infrastructure; natural resource management, and community-based adaptation. SCCF focus areas include: water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems (including mountain ecosystems), and integrated coastal zone management. Sources: <http://www.thegef.org/gef/LDCF>, <http://www.thegef.org/gef/SCCF>.

Box 3: GEF System for Resources Allocation

During GEF-5, the allocation of resources to eligible countries will be conducted according to the System for Transparent Allocation of Resources (STAR), which aims to channel resources transparently by prioritizing countries that have higher potentials to generate global environmental benefits and the capacity to successfully implement projects. The STAR replaces the Resource Allocation Framework (RAF).

This system aims to help eligible countries maximize their investment benefits by increasing transparency, the predictability of funding, planning, and country ownership. In accordance with Council Decisions, the STAR system aims to improve the targeting of available resources, thereby increasing their impacts.

STAR will determine the allocation of resources for the Climate Change, Biodiversity, and Land Degradation focal areas. Other focal areas are not currently covered due to the lack of adequate indicators and datasets, but they may be included in future replenishment periods.

Under STAR, the GEF identifies an 'indicative allocation' that each country can access during the replenishment period according to a combined set of indicators, which are grouped under the following indexes:

1. **The GEF Benefit Index (GBI)** captures countries' potentials to generate global environmental benefits, e.g. GHG emissions reductions.
2. **The GEF Performance Index (GPI)** measures each country's relative capacity to develop and implement projects and programs. Based on each country's past and current performance it also considers the quality of a country's policies and institutional frameworks.
3. **A social economic development index**, measured as a GDP Index (GDPI), aims to increase the allocations to countries with low GDPs per capita in order to build the additional capacity needed to successfully develop and implement GEF projects.

The STAR foresees a minimum and maximum indicative allocation for each focal area. For climate change, the floor is set at USD 2 million and the cap at 11% of total funds for the area.

Source: GEF, 2011; GEF 2010b.

Frameworks, procedures, and methods for assessing the effectiveness of (climate) finance

In November 2010 the GEF Council approved a revised M&E Policy to promote consistent assessments of the results, performance, processes, and effectiveness of all GEF's partners. The revised Policy aims to promote accountability in the achievement of the GEF's goals and mission and encourages all GEF partners to share lessons learned (GEF EO, 2010).

The M&E policy establishes norms, standards, and minimum requirements for all projects/programs presented to the Council. It covers project design, implementation, and evaluation. A results-based management framework (RBM) that was approved by the Council in 2007 to support the implementation of GEF-4 informs all M&E processes and activities.³⁶

³⁶ GEF/C.40/Inf.9, 2011; GEF/C.31/11, 2007. A specific RBM framework has also been developed for the LDCF and SCCF to address the unique M&E needs of adaptation interventions. For additional information see Appendix 2 and GEF/LDCF.SCCF.9, 2010, GEF/LDCF.SCCF.5/3, 2008.

The framework builds on the strategic programming defined at the beginning of the replenishment period for each focal area (GEF/R.5/31/CRP.1, 2010), outlining objectives, expected outcomes, and related tracking indicators.³⁷

All of the actors involved share responsibility for M&E: the GEF Council, the GEF Secretariat, the GEF Evaluation Office (EO), and the GEF coordination units and evaluation offices of the implementing agencies. A Scientific and Technical Advisory Panel (STAP) provides recommendations on indicators, targets, and evaluation approaches.

The GEF Council sets the overall framework, from the objectives to the focal area results frameworks, and

³⁷ The policy recommendations for the Fourth Replenishment of the GEF Trust Fund requested the GEF Secretariat to develop a set of common quantitative and qualitative indicators and tracking tools for each focal area to be used consistently in all projects, with a view to facilitating the aggregation of results as well as assessments of GEF's 'transformational impact'. (GEF/C.29/3, 06). The RBM adopts the definition of the OCED-DAC Glossary (2002) for result, goal, impact, outcome, and outputs. See OCED DAC (2002) or GEF/C.31/11, 2007.

exercises an oversight role. The GEF Secretariat monitors the overall portfolio – across implementing agencies and focal areas – against the RBM framework. It also provides general guidance on the establishment of monitoring requirements, defining objectives and relevant indicators to track progress in accordance with the RBM. The Secretariat prepares an Annual Monitoring Report (AMR) for the GEF Council to provide an overview of progress towards results, including portfolio-wide trends based on information submitted by the implementing agencies.

The GEF EO is an independent unit located within the GEF that is charged with evaluating the effectiveness of GEF programs and resource allocations. It reports directly to the GEF Council and undertakes evaluation activities based on a four-year, rolling work plan tied to the replenishment cycle (GEF EO, 2010). The GEF EO has responsibility for undertaking independent evaluations of groups of projects from more than one agency that are generally carried out on a strategic level, focal areas, or cross-cutting theme. It also undertakes institutional evaluation and is responsible for setting minimum M&E requirements, overseeing the project and program evaluations of agencies, and for assessing the relevance, performance, and overall quality of monitoring systems (GEF EO, 2010).

The GEF Agencies develop their own M&E plans and results indicators for projects and programs and, along with their implementing partners, execute these and share them with the GEF EO (GEF/C.40/Inf.9, 2011). To exploit synergies and avoid duplication, the independent evaluation units of the agencies collaborate with the GEF EO, particularly in the case of jointly-implemented interventions.

APPRAISAL AND MONITORING

GEF agencies are responsible for project identification, development, preparation, appraisal, and for submitting associated documentation and results to the Secretariat. It is therefore the agencies themselves and the entities involved in the various steps of the project cycle³⁸ that are responsible for ensuring the quality of projects at entry and the cost-effective³⁹ use of GEF resources.

During the implementation phase, agencies' operational units assess the performance of projects and

programs.⁴⁰ Each year, they submit annual review reports and focal area tracking tools to the Secretariat, which has responsibility for monitoring progress. In the climate change mitigation area, the tracking tools have been developed to monitor key indicators related to energy efficiency, renewable energy, and transportation projects.⁴¹ More recently, an ad-hoc tool for adaptation interventions – the Adaptation Monitoring and Assessment Tool (AMAT) – has been introduced.⁴²

Mitigation tracking tools must be submitted for projects funded under GEF-5 and GEF-4 and are encouraged for GEF-3 (2003-06) projects. A new adaptation tracking tool will be piloted for projects undertaken under the SCCF/LDCF results framework for GEF-5. These are submitted during the approval process, at mid-term, and at project completion in conjunction with each agency's project implementation report.

Based on information submitted by the agencies, the GEF Secretariat consolidates findings and submits an Annual Monitoring Review (AMR) to the GEF Council. The AMR describes the progress achieved by the active portfolio of projects. By analyzing Project Identification Forms (PIFs) approved during a given period, the Secretariat can also present information on how well actual resources are aligned with replenishment and focal area targets (GEF/C.40/04, 2011).

EVALUATION

The GEF and its partners conduct several types of evaluation, which are synthesized in Table 1. The evaluation units of GEF Agencies are responsible for project, program, and agency portfolio evaluation.

The GEF EO stream of evaluative work includes country portfolios, thematic and/or cross-sectoral evaluations, and performance. It also undertakes impact evaluations, which assess (at the project, program, portfolio, or country level) the direct/indirect and intended/

⁴⁰ Mid-term reviews are requested for full-side projects and encouraged for medium-size projects and enabling activities.

⁴¹ All projects in the Climate Change focal area have to include in their project briefs an assessment of the amount of CO₂e emissions the project is expected to save. The GEF has developed a complete methodology that takes into account direct and indirect mitigation effects. See the Manual for Calculating GHG Benefits of GEF Projects: Energy Efficiency and Renewable Energy projects (<http://www.thegef.org/gef/node/313>), as well as, for Transportation projects, (http://www.thegef.org/gef/GEF_C39_Inf.16_Manual_Greenhouse_Gas_Benefits).

⁴² The tracking tool will be utilized and results submitted three times during the life of a project: at CEO Endorsement/Approval request; at project/program mid-term; and at project completion. Source: 'GEF CC Adaptation Tracking Tool Guidelines'; GEF/LDCF.SCCF.9/Inf.4 (2010).

³⁸ See http://www.thegef.org/gef/project_cycle for additional information.

³⁹ The measurement of cost-effectiveness includes compliance with the incremental cost criteria. See <http://www.thegef.org/gef/node/657>.

Table 1. Types of key evaluation conducted by GEF and its partners

Type of evaluation	Description	Executing Entity
Project	Pre-project; post-project; terminal evaluation (i.e. at the end of the intervention).	Evaluation units within GEF Agencies
Program	Evaluation of a set of interventions aimed at a specific objective, e.g. GEF focal areas.	
Performance and Process	Assessment of institutional, organizational, and procedural aspects across focal areas.	GEF Agencies & GEF EO
Impact	Assessment of the direct/indirect and intended/unintended long-term effects generated by a GEF-funded intervention.	GEF EO
Country-level	Evaluation of one or more agencies' portfolios of projects and activities across focal areas. In this type of assessment, projects at all stages of the project cycle (preparation, implementation, completion, or cancellation) are considered.	
Cross-cutting and thematic evaluations	Assessment of a selection of interventions aimed at addressing a specific concern in all/several countries and/or sectors.	
Overall Performance Studies (OPS)	Assessment of the global impacts and benefits of the GEF as well as of its institutional arrangements, policies and strategies. Carried out every four years to inform donors before the GEF replenishment.	

Source: GEF EO 2010.

unintended long-term effects generated by interventions, as well as how these effects were achieved (GEF EO, 2010).⁴³ These evaluations are further described in Appendix 2.

The GEF M&E process is based on principles, norms, and standards established by the Evaluation Cooperation Group (ECG), the United Nations Evaluation Group (UNEG), and the OCED-DAC Evaluation Network.⁴⁴ There is general convergence among these standards, although the specific objectives of the agencies can result in different levels of application (GEF EO, 2010).

In general, each evaluation assesses results (outputs,

⁴³ Launched in 2005, this pioneering and still experimental methodology aims to analyse a project's progress toward impact years after completion by following the direct effects of GEF interventions through to the intermediate states that are supposed create the drivers of impact. The objective is to assess: 1) whether there is evidence that GEF interventions created the necessary conditions for follow-up activities, 2) if the GEF partners assume their responsibilities, and 3) if this led (or is leading) to changes in behaviour, natural resource management practices, markets, and ultimately, global environmental benefits. While initially a desk exercise, this approach - termed Review of Outcomes to Impact methodology - is now based on fieldwork (GEF EO, 2010b; GEF EO, 2009). Impact evaluations undertaken yearly are summarized in the Annual Impact Report, which has been presented to the Council since 2007. In the Climate Change focal area, the assessment of progress toward mitigation impacts is carried out using information provided in the terminal evaluations about GHG emissions reduction/avoidance (GEF EO, 2010b).

⁴⁴ See EGG web site at www.ecgnet.org and UNEG web site at www.uneval.org for additional information.

outcomes, and impacts) according to five major criteria: *relevance, effectiveness, efficiency, results*, and - where possible - *sustainability*. According to the type of assessment undertaken, the evaluation terms of reference (TOR) should explain how these criteria must be applied and analyzed.

MID-TERM AND TERMINAL EVALUATION

Agencies undertake mid-term reviews for full-size projects under implementation and are encouraged to do so for medium-size projects and enabling activities.

For each full-size project and all programs, agencies also conduct a terminal evaluation. This evaluation must be independent from project management or, if carried out by project management, it must be reviewed by the independent evaluation unit of the Agency.

Terminal evaluations aim to provide a comprehensive review of the performance of a completed project, by assessing design, implementation, and achievement *vis-à-vis* stated objectives. They aim to determine the achievement of outputs and outcomes and the likely sustainability of outcomes achieved. Because assessing long-term impacts is complex and outputs sometimes capture a project's effectiveness insufficiently, the focus of attention at the project level is on outcomes and focal area-specific indicators and relevant tracking tools are used.⁴⁵

⁴⁵ The level of country ownership, mainstreaming, catalytic role and impacts should also be considered.

To measure the outcomes achieved under each criteria, an overall rating system ranks projects as: highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory (GEF EO, 2008).

Terminal Evaluation reports must also include information about co-financing. The evaluation team must compare the planned and realized co-financing amounts – by no means a straightforward ‘verification’ task (UNDP, 2011).

These reports must be submitted to the GEF EO within 12 months of project/program completion, in accordance with specific guidelines (GEF EO, 2008).⁴⁶ The GEF EO then reviews these reports to validate the findings and assess lessons learned. The independent evaluation units of the GEF Agencies are encouraged to review and validate Terminal Evaluation reports.

Has the GEF improved its monitoring and evaluation of climate finance effectiveness?

The GEF’s procedures for M&E updates have generally followed international best practice, incorporating lessons learned, experience, recommendations from peers, stakeholders, and partners, and the Overall Performance Studies (OPS).

The GEF Council approved the current M&E Policy in November 2010 to incorporate recommendations made under the fourth OPS. The main revisions introduced in 2006 sought (among other things) to improve the characterization of the roles and responsibilities of the various levels and types of monitoring and to emphasize country ownership. In addition, the Policy included a revised version of the minimum M&E requirements in an effort to ensure consistent measurement of GEF outcomes across its operations and between partners. This will not be a trivial task (GEF EO, 2010).

In 2007, the introduction of the Results-Based Management Framework established the basis for a ‘results-oriented’ approach and improved monitoring and reporting processes through the definition of traceable indicators. The Framework builds on the strategic programming set for focal areas and was recently revised for GEF-5 (GEF/C.39/6/Rev.1, 2010).

With this critical reform, the Secretariat significantly shifted its approach to monitoring the overall GEF

⁴⁶ Guidelines also specify that the evaluation of the relevance, effectiveness, and efficiency criteria should be based on empirical evidence (GEF EO, 2008).

portfolio. It moved away from individual reviews of Project Implementation Reports toward a more targeted analysis of projects that have undergone mid-term reviews or are in their last year of implementation. The reformed system will not only promote timely reporting, but also encourages the GEF partners to concentrate their efforts on in-depth examination of focal area results (GEF/C.41/04/Rev.02, 2012; GEF/C.41/Inf.09, 2011).

Some progress in the M&E process was also introduced by the tracking tools mentioned in the previous sections.⁴⁷ Submitted by GEF Agencies beginning in 2008 (pilot year), these tools promote consistent measurement of the achievement of impacts and outcomes at the portfolio level and within the climate change focal area. In 2011, 22 climate change mitigation projects presented completed tracking tools out of 34 reviewed (64%).

In a pioneering move in 2008, the GEF approved a tailored Results-Based Management framework to monitor and evaluate adaptation measures for the LDCF and the SCCF. Along with the introduction of the AMAT, the Framework increases the scope for monitoring and learning. However, the vast majority of projects in the adaptation portfolio are still too young to be fully evaluated.

The AMR 2011 (GEF/C.42/05/Rev.01, 2012) reports that, in general, the quality of tracking tools submitted varied considerably, in part because new tools and different formats were introduced, and in part due to less rigorous quality control. During recent discussions with the Secretariat, GEF agencies requested specific training on tracking tools. The Secretariat also committed to releasing a guidance document in June 2012 that will outline and detail all of the RBM reporting requirements.

The Fifth OPS will be crucial for determining the shape and effectiveness of the new M&E processes, products, and requirements introduced during the ‘development’ and ‘piloting’ phases. Acknowledging the progress that has already been made, further steps are still needed to fully integrate monitoring, tracking tools, and impact indicators into the Results-Based Management framework at all stages of the project cycle (GEF/ME/C.39/1, 2010; GEF EO, 2010b; ICF, 2009).

A Peer Review of GEF’s evaluation function undertaken

⁴⁷ EDF, CPI, ODI, Brookings (2011). This summary paper from a series on climate finance effectiveness describes the tools in greater details. See: <http://climatepolicyinitiative.org/wp-content/uploads/2011/11/Effectiveness-of-Climate-Finance-Methodology.pdf>

in 2009 concluded that EO structural independence has largely been achieved, lending credibility to its evaluations (UNEG-DAC, 2009).⁴⁸ The review stated that the EO work plan preparation is institutionally independent and that the evaluative criteria are justified, although they are developed with insufficient upstream input and stakeholder consultation. The Review found that 'both thematic and strategic evaluations and the review process for terminal evaluations conducted by the GEF Agencies are adequately safeguarded.' Overall, it concluded that the 'GEF EO produces solid evaluation work with a welcome emphasis on methodological rigor and clarity.' ICF International (2009) concluded that the EOs evaluation practices are consistent with best practices.

Finally, it is worth noting that the recent restructuring of the GEF EO has led to better management of the evaluation streams and the operational and financial aspects of the work. The GEF-5 period will be used to further strengthen the structure through enhanced internal and external communication (GEF/ME/C.39/1, 2010).

Main conclusions/lessons learned

In recent years, the GEF has undertaken significant reforms to streamline its procedures and move toward more programmatic and strategic approaches. The implementation of resource allocation systems such as the RAF and the RAFs evolution into the GEF-5 STAR have helped to prioritize funding allocations based on each country's potential to generate global environmental benefits and capacity to successfully implement GEF projects.

- Evaluations of GEF interventions have increased by more than 40% under GEF-5 (GEF/ME/C.39/1, 2010). This bodes well for future understanding about the effectiveness of climate finance. More tightly defined objectives, indicators, and targets, have improved the strategic results frameworks, but more work is needed to further clarify output targets, indicators, and baselines (DFID, 2011). Nevertheless, the prerequisites for effective evaluation appear to be in place.
- In the climate change focal area, the integration of GHG impacts into the determination of programming effectiveness is a potential

game-changer. Better training, and more consistent application of specific tracking tools to assess progress, will improve the comparability of individual evaluations, and overall understanding of effectiveness.

- In general, evaluations still rely heavily on written material and third party assessments. Increasingly, greater reliance on fieldwork and national and local stakeholder engagement should promote more meaningful evaluations (UNEG-DAC, 2009), but more appropriate and flexible funding support will be needed.
- The recruitment of a 'knowledge management officer' is part of a push to improve access to and dissemination of evaluation findings and lessons also through the use of international, community based web platforms (GEF/ME/C.41/01, 2011).

⁴⁸ The Peer Review (UNEG-DAC, 2009) examined the GEF evaluation function according to three core criteria: 1) independence of the GEF EO and its evaluation processes, 2) credibility, and 3) the utility of its evaluations. The Review, however, highlights that the legal basis for the arrangement of EO independence is precarious.

2.6 KfW Entwicklungsbank

Total climate finance portfolio	USD 3.7 billion (2011) ¹
Climate-specific monitoring and/or evaluation framework	✓
Independent evaluation unit (team)	✓
Results-based management framework	✓
Real-time Evaluation	X
Post-project evaluation	✓
Post-project evaluation of GHG impacts	X
Public disclosure of evaluation findings	✓

¹ In 2010, KfW Bankengruppe total worldwide commitment to climate and environmental protection reached approximately USD 30 billion (EUR 25.3 billion, 32% of total). See the KfW web site: <http://www.kfw.de/kfw/Applications/PrintContent.jsp?oid=48285>.

HIGHLIGHTS

Within the German government-owned KfW Group, KfW Entwicklungsbank has responsibility for the implementation of Germany's financial development cooperation with developing and emerging economies.

In 2011, environmental and climate change-related commitments made up approximately 60% of KfW Entwicklungsbank's total new commitments (USD 3.7 billion out of USD 6.2 billion in total new commitments). This includes approximately USD 2.5 billion for mitigation, USD 628 million for adaptation, and USD 727 million for environment-related interventions (KfW, 2012, a,b).

KfW allocates most of its climate finance commitments through loans, both concessional and non-concessional, and grants. In climate related sectors, these mainly target energy, water management, forestry, and agriculture (UNEP, 2011).

Together with partner institutions, KfW has developed specific funds to promote investments in energy efficiency, renewable energies, and GHG reduction projects.⁴⁹ KfW is involved in carbon markets through its USD 111 million KfW Carbon Fund and its USD 249 million joint KfW-EIB Carbon Program⁵⁰ (UNEP, 2011). In 2012, it introduced the KfW Energy Efficiency Programme and the KfW Environment Programme, to provide very low interest loans to finance environment protection and energy-saving investments (KfW, 2012c). In 2011, KfW founded the International Development Finance Club (IDFC) with a group of 18

49 These are the Green for Growth Fund, the Global Climate Partnership Fund, and the Global Climate Protection Fund.

50 KfW Carbon Fund and KfW-EIB Carbon Program figures refer to the Funds' total capitalization (UNEP, 2011).

national and sub-regional development banks.⁵¹ The Club contributes to discussions related to the Green Climate Fund, and aims to develop a 'smart partnership' with the Fund to promote better leveraging of GFC resources and enhanced country ownership, ultimately increasing the effectiveness of climate finance. IDFC members have established climate financing as the central focus of their 2012 development agenda ([idfc.org](http://www.idfc.org); IDFC, 2011).

Frameworks, procedures, and methods for assessing the effectiveness of (climate) finance

In 2009, KfW introduced a 'climate-safe' screening assessment that became mandatory for all projects beginning in January 2011 (KfW, 2011). All financed measures must undergo an Environmental and Social Impacts Assessment (ESIA) and a climate change assessment (covering adaptation and/or mitigation), which includes a commitment by recipient countries to climate change mitigation and adaptation and a determination of whether each measure contributes to climate protection and/or adaptation.⁵² The ESIA and climate change assessment tools are aligned with international environmental and social standards⁵³ and

51 The Club aims to represent the position of development finance institutions in climate change policy, to enhance the role of DFIs within the climate finance architecture, and to mobilize resources towards low-emission and climate resilient growth in the countries in which its members are active.

52 KfW (2011) outlines the guidelines that inform its process of defining a common and binding framework to incorporate environmental, social, and climate standards into the planning, appraisal, implementation, and monitoring of interventions financed and to promote transparency and accountability, thereby improving risk assessments. For additional information see KfW (2011).

53 Environmental, Health, and Safety Guidelines of the World Bank and IFC, IFC Performance Standards, World Bank Safeguard Policies, EU legislation, and

are intended to inform and shape projects throughout their life cycle.

KfW applies a results-based methodology, and in-project planning follows the logical framework approach (TC, 2011). Operating departments conduct all *pre-project* evaluations and most interim evaluations (OECD, 2010). By way of contrast, *post-project* evaluations are conducted by independent experts assigned by KfW's Evaluation Department (Financial Cooperation Evaluation - FCE).⁵⁴ These experts can either be contracted externally or from within KfW. In both cases, the experts cannot have had any previous involvement with the project(s) in question.

The FCE is an independent entity headed by a highly qualified external expert and reports directly to the Board of Managing Directors. This ensures its independence from the local operating units responsible for the planning and implementation of projects.

In order to ensure the quality of evaluations, the FCE engages in the development of assessment methodologies, manuals, and guidelines, the organization of workshops on evaluation principles, the assessment of KfW experiences from funded projects, and the disclosure of evaluation results to the federal government and the public (OECD, 2010; KfW, 2012a).

The Evaluation Department is responsible for undertaking systematic and/or thematic reviews of evaluation results across projects and programs and for providing feedback to operational departments. It undertakes impact evaluation and collaborates in joint evaluation assessments with the Federal Ministry for Economic Cooperation and Development (BMZ) as well as with other development agencies and scientific institutions. It also participates in long-term reviews of interventions, e.g. 10-15 years after implementation, to assess their sustainable effectiveness (KfW, 2012a).

Joint evaluations are becoming more frequent, particularly for jointly-financed interventions, and although procedures are increasingly standardized using

finally, the environmental and social principles of KfW Group. Compliance with the environmental and social standards of the partner country is also considered (KfW, 2011).

⁵⁴ The overall responsibility for the evaluation of German development cooperation rests with the Evaluation and Audit Division of the Federal Ministry for Economic Cooperation and Development (BMZ-E). It provides guidance and ensures the quality of implementing agencies' evaluation systems, to which it has devolved the responsibility for systematic and independent project evaluations. The evaluation unit of KfW has been given the responsibility of managing the evaluation of Financial Cooperation. Technical Cooperation is mandated to GIZ (OECD, 2010).

OECD-DAC principles, evaluation methodology is tailored for each individual case (KfW, 2010a).

KfW Development Finance has created a number of instruments to promote institutional learning:

- The discussion of evaluation findings with everyone concerned;
- The drawing and dissemination of general project conclusions (lessons learned);
- Learning through role exchange;
- Cooperation of the independent evaluation department in the Quality Assurance Committee; and
- Conducting cross-sectoral assessments in cooperation with the competency center (TC, 2011).

APPRAISAL AND MONITORING

Pre-project evaluation by KfW Entwicklungsbank takes up to three years. It takes into account legal, institutional, and macro-economic frameworks, developmental objectives and indicators, the economic feasibility of the concept, possible risks, interests of the target group, environmental and social constraints, and technical adequacy (KfW, 2006).

Appraisals are made using the information and feasibility studies provided by either an external consultant or executing agency, or by the recipient of the funds. KfW Entwicklungsbank also engages the public and representatives of involved local communities in the decision-making process through public hearings and presentations. This is especially the case where projects undergo an environmental and social impact assessment or include involuntary resettlements.

Appraisal criteria for KfW climate change projects are project-based and benchmarked to country and international standards. KfW does not disclose more detailed information on procedures or on specific indicators and thresholds. All project appraisal reports are classified as confidential and submitted to the German federal government for approval. They are not publicly available, as they meet the criterion of international relations mentioned in the United Nations Economic Commission for Europe (UNECE) Convention on Access to Information ('Aarhus Convention').

The monitoring process is based on the project implementation plans and normally includes annual reporting and regular (at least once per year) on-site progress

assessments (KfW, 2010b). Although the monitoring process is the responsibility of the executing agency, KfW shares responsibility and prepares regular progress reports for the federal government (KfW, 2006, 2007; KfW, 2003).

According to the Sustainability Guidelines that entered into force in January 2011, the project's executing partner agency and/or the fund recipient must agree to certain reporting and notification obligations and employ appropriate monitoring tools. If an Environmental and Social Management Plan (ESMP)⁵⁵ has been developed, it will be used as a basis for monitoring. This also applies to the results of climate assessments (KfW, 2011).

For monitoring and assessing the overall impact of climate change-related projects, KfW measures loan commitments, investment volumes, and emissions avoided. In particular, emissions reductions from renewable energy, energy efficiency, and forestry projects have to comply with target impacts for those sectors. Data about abatement results is used for monitoring purposes only (that is, the savings achieved are not intended for carbon offsetting mechanisms (House of Commons, 2011). Measuring GHG impacts allows KfW to quantify and communicate project effects for both external and internal evaluation purposes.⁵⁶

POST-PROJECT EVALUATION

The FCE compiles its *post-project* evaluation work program on an annual basis. As a rule, projects/programs that are three to five years past their technical completion are 'eligible' for evaluation; or, generally, five to seven years in case of energy projects. Approximately 50% of eligible programs/projects are selected as a stratified random representative sample. Sampling allows for more rigorous evaluation of individual projects, as well as for additional cross-cutting country/regional and sectoral analyses. *Post-project*

⁵⁵ For projects categorized as potentially having a 'severe negative impact on the environment and/or the social conditions of those concerned', an independent environmental and social impact study (ESIS) must be undertaken in order to assess any negative environmental and social consequences. An ESMP then has to be drawn up to describe the measures needed to avert, mitigate, offset, and monitor any eventual negative consequences identified by the ESIS.

⁵⁶ Harnisch (2009) includes an outline of a monitoring plan template. GHG emissions reduction calculations strive for consistency with IPCC/UNFCCC, ISO 14064, WBCSD/WRI GHG Protocol. The carbon footprint approach integrates with the 'Climate Check' mainstreaming initiative of the German Ministry of Development. For information on the GTZ Climate Check initiative see: <http://www.gtz.de/en/themen/23930.htm>.

evaluations follow a standard methodological approach and comprise the entire project cycle from project identification and needs assessment to operational performance. There is an emphasis on development impacts achieved. Actual project outcomes are systematically compared against the outcomes envisaged at the time of appraisal and against benchmarks derived from the current 'state-of the art' in order to capture sector/policy developments (KfW, 2011b).

Independent evaluators assess available project documents and reports in order to address key evaluation questions.⁵⁷ The method applied depends on the type of intervention and on the availability of data and other evaluation resources. Both quantitative and qualitative methods can be applied, including interviews with representatives of the executing agency and the target group. KfW Entwicklungsbank has standardized key indicators for individual sectors to facilitate comparable evaluation of performance across projects.

In line with OECD-DAC (2002),⁵⁸ *post-project* evaluation is based on five key criteria: *relevance, effectiveness, efficiency, overarching developmental impact, and sustainability*. The first four are related to the situation at the time of evaluation and are evaluated on a scale from 1 (high developmental efficacy) to 6 (complete failure). The sustainability criterion considers the future development of the project and is ranked on a four-grade scale, from very good to inadequate. Each project receives an overall score based on the sub-criteria grades and on a project-specific weighting method that depends on relevance and objectives.

Key performance indicators are selected for each individual project and are defined according to each project's objectives. There are also sectoral performance standards that can be applied for cross-cutting evaluations, such as annual emission volumes avoided (tCO₂e per year), cost of emission avoidance, project rates of return as efficiency indicators, jobs created, improvement of living conditions, etc. Normally, project effectiveness is measured as the degree to which the objective's indicators – defined prior to implementation – have been achieved.

⁵⁷ E.g., they aim to understand whether the project has addressed a specific constraint/issue in the partner country and/or whether the project was developed according to its design. For more information see KfW web site at: <http://www.kfw-entwicklungsbank.de/EN/Home/Post-project-Evaluation-at-KfW/index.jsp>.

⁵⁸ See also <http://www.kfw-entwicklungsbank.de/ebank/EN/Home/Evaluation/Ex-Post-Evaluation/Key-Criteria-for-the-Post-project-Evaluation/index.jsp>.

In certain cases, the evaluation goes beyond individual projects and programs, and in-depth analyses are performed in order to grasp how and to what extent the impacts have been achieved. This requires primary data collection and rigorous quantitative impact evaluations.

Cross-cutting and thematic evaluations are increasingly important for looking at the bigger picture. Analyses of this kind focus, for instance, on decentralization and energy.

The FCE does not at present engage in the systematic reviews (meta-analyses) that would be helpful in determining whether the results of impact assessments could be transferred to other contexts. This is because of meta-analyses generally rely heavily on an adequate number of rigorous evaluations at the international level.

Moreover, at present, the FCE does not assess the GHG impacts at project completion. This owes to the relative newness of the climate-related portfolio.

Abridged versions of the evaluation reports for individual projects are available on KfW's website.⁵⁹ Every two years, KfW publishes a report that summarizes the findings of individual project evaluations and highlights selected topics. To date, 11 Biennial Evaluation Reports have been issued (KfW, 2012a).

Has KfW improved its monitoring and evaluation of climate finance effectiveness?

M&E progress has been noted over time starting with the establishment of the independent Evaluation Department in 2000 and including to the adoption of a sample-based evaluation approach in 2007. Future progress is likely to reflect (1) the adoption of GHG footprint monitoring, (2) the recently-issued Sustainability Guidelines, and (3) the German Federal Ministry for Economic Cooperation and Development's (BMZ) intention to mainstream climate proofing⁶⁰ into all interventions, as well as the establishment of a new evaluation institute aimed at promoting an entirely independent assessment of the effectiveness of German development cooperation (KfW, 2011b).

⁵⁹ Public disclosure aimed at sharing the results of each project commenced in 1988 with the report: 'Project Results - Financial Cooperation with Developing Countries in Practice.' Source: KfW (2010b).

⁶⁰ This approach looks to either 'Climate Proofing,' i.e. addressing climate change-related risks that can impact the sustainability of development projects, or 'Emission Saving,' i.e. aiming to maximize the contribution of cooperation programs to climate change mitigation. Additional information available on the GTZ Web site: <http://www.gtz.de/en/themen/23930.htm>.

MAIN CONCLUSIONS/ LESSONS LEARNED

KfW Entwicklungsbank has prioritized learning from experienced and selects key indicators based on the objectives of individual projects to inform the project over its life. All prospective interventions undergo social, environmental sustainability and climate screening - positive and negative. Notably, KfW's evaluation framework incorporates systematic comparison of pre-project impact estimates of GHGs assessments. Evaluating how, and to what extent, intended impacts have been achieved, could represent a substantial contribution to better understanding about climate finance effectiveness.

- Of high value, evaluation database of roughly 2,000 single project ratings for the period 1988 to 2010 provide a substantial statistical platform that KfW Entwicklungsbank draw on to test a vast array of effectiveness questions (KfW and IEG, 2011).
- However, KfW lacks an institutional process to implement management responses to evaluation findings (OECD, 2010). Such a mechanism would undoubtedly promote the uptake of lessons by future interventions.
- Mid-term and real-time evaluations, as well as regular portfolio reviews based on a common methodology could provide additional insights, and would also add substantial value to the current practice *post-project* evaluation, (cf. CGAP, 2011).
- Crucially, more open communication of results would improve transparency and allow other intermediaries, project developers and implementers, to benefit from KfW's extensive experience.

2.7 Agence Française de Développement (AFD)

Total climate finance portfolio	USD 10.9 billion (2005-10)
Climate-specific monitoring and/or evaluation framework	✓
Independent evaluation unit (team)	✓
Results-based management framework	✓
Real-time Evaluation	X
Post-project evaluation	✓
Post-project evaluation of GHG impacts	X
Public disclosure of evaluation findings	✓

HIGHLIGHTS

The French Development Agency (Agence Française de Développement – AFD) is a bilateral financial institution that provides development financing on behalf of the French Government according to its Overseas Development Assistance policies.

In October 2005, AFD adopted a Strategic Framework⁶¹ that integrates climate change challenges into its strategies and operations by supporting low-carbon investments and GHG emission reduction projects in recipient countries and by including adaptation measures in its development interventions (AFD, 2007; AFD, 2009a).

The ‘climate’ issue has become a significantly larger part of AFD’s operations over the past few years. In fact, since 2005 when AFD began measuring its pledges to ‘climate’ activities (initially mitigation, then adaptation and REDD+), the value and number of AFD climate finance projects has increased from fewer than 20 projects valued at less than USD 525 million in 2005 to 71 projects valued at USD 3.7 billion in 2010. Of this amount, approximately USD 3.4 billion supports 56 mitigation projects and USD 518 million funds 22 adaptation interventions (some of which have significant mitigation co-benefits).⁶² Between 2005 and 2010,

61 The Strategic Operation Plan (2007-2011) adopted in 2007 states the protection of ‘Global Public Goods’ as one of AFD’s goals, which includes the fight against climate change. The Strategy aims to promote low-carbon development and support vulnerable people as they adapt and reduce their vulnerability to climate-related impacts (the strategic framework on climate change passed on October 2005). Sectoral strategies, such as those for energy, transportation, and urban development, also take climate change into account (Adam and Bensaïd, 2008).

62 In 2010, AFD also financed almost USD 280 mil in projects with both mitigation and adaptation purposes, so the 2010 total amount indicated above is not a perfect sum. AFD-financed mitigation projects focus on renewable energy and energy efficiency, including low-carbon transportation, forestry, and agriculture projects. Once fully operational, the projects funded so far by the Agency will contribute to a cumulative reduction of almost 20 million

the cumulative value of commitments reached USD 10.9 billion, USD 3 billion of which had been disbursed as of March 2011. These figures demonstrate the growing significance of the ‘climate’ issue in AFD’s operations, whose share of climate commitments rose from 17% of the portfolio in 2005 to 40% in 2009 and 2010 (AFD, 2011a; AFD, 2011b).

The AFD strongly supports the implementation of France’s ‘fast-start finance’ commitments. In fact, about 80% of the total USD 1.8 billion (EUR 1.26 billion) committed for the period 2010-2012 (USD 586 million per annum) will be channeled through the Bank and the French Global Environment Facility (FFEM).⁶³ In both 2010 and 2011, the annual target of USD 520 million per annum was achieved (Faststartfinance.org; ADF, 2011c).

As part of its 2012-2016 action plan, the Agency aims to capitalize on its experience thus far by acting as a ‘major financier’ in the fight against climate change (AFD, 2012). Its climate strategy is based on three key pillars:

1. Ensuring climate-related financing commitments reach 50% of AFD’s foreign-aid funding and 30% of PROPARCO’s (AFD’s private sector financing subsidiary)⁶⁴;
2. Regular measurement of all projects’ carbon footprints; and
3. Selecting projects according to their climate impacts.

metric tons of CO₂ per year.

63 The French GEF (FFEM) is funded by the French Central Government budget as part of Official Development Assistance. It received EUR 277.5 million between 1994 and 2010, which is additional to France’s contribution to the GEF. The portfolio of FFEM is older than the AFD portfolio and consists primarily of pilot operations.

64 In 2010, PROPARCO climate finance commitments reached USD 378 mil (EUR 285 mil), a 5% increase from 2009.

Finally, it is worth noting that AFD recently joined the International Development Finance Club, further highlighting its active engagement in the development of the international climate finance architecture.

Frameworks, procedures, and methods for assessing the effectiveness of (climate) finance

France's development cooperation policy was substantially reformed in the 1990s. Subsequently, the AFD revised its strategic orientation and, in line with the Paris Declaration on Aid Effectiveness, implemented a results-based management approach to be applied throughout the organization.

Since 2002, when the first Strategic Orientation Plan (POS I, 2002-2006⁶⁵) was issued, the Agency has favored a results-oriented monitoring system based on impact indicators – where possible – in order to assess the impacts of financed interventions and inform the selection of projects. The results-based management approach is systematically used throughout the project cycle, with the methodologies applied according to project type (Naudet et al., 2008; TC, 2011).

These reforms led to the integration of AFD's evaluation department into the Agency Research Department under the Strategy Directorate in order to establish a direct link between *knowledge* generation (including impact measurement) and *evaluation*. The reforms also promoted the transition from the in-house evaluation of projects to a more decentralized method (evaluation commissioned by local agencies to external experts).

The Evaluation and Knowledge Development Unit (RCH/EVA) has two overarching objectives: 1) to draw lessons from the past to improve policymaking, projects, and programs; and 2) to serve as the basis for accountability. The Unit is responsible for:

- defining evaluation methods and ensuring the quality of the evaluation process;
- managing thematic and/or strategic evaluations;⁶⁶
- producing impact analyses of some of the projects, programs, and policies; and

- undertaking meta-evaluations and developing a knowledge base on certain topics (afd.fr).

In 2010, in order to increase the independence of evaluation and improve accountability, the AFD Board of Directors established an external evaluation committee to review the main evaluation reports and assess their quality and relevance. The Committee is chaired by an independent expert, includes representatives from the supervisory ministries, and reports to the Board of Directors.

The EVA operates under a three-year strategic plan and covers decentralized evaluations, strategic evaluations, meta-evaluations, impact evaluations, joint evaluations, evaluative research, capacity building, and dissemination (OECD, 2010).

The results of completed evaluations are disclosed to the intended beneficiaries of French ODA and, since 2007, to the general public via the Agency's web site. In addition, a summary of key findings is sent directly to the General Director of the Agency and other relevant officials. An annual report with key findings is also shared with Parliament (OECD, 2010). The OECD (2010) points out that a formal management response, or follow-up system, is not currently in place.

APPRAISAL AND MONITORING

Since 2007, the AFD has progressively developed robust criteria and tools for classifying 'climate' projects:

- A mitigation project is a development intervention that avoids more GHG emissions than it generates during its lifetime;⁶⁷ and
- An adaptation project is a development intervention '*that reduces goods, people, or ecosystems' vulnerability to climate risks*'.⁶⁸

Mitigation projects are subject to assessment by an *ad-hoc* tool that measures their carbon footprints (that is, it quantifies whether a project – over its lifetime – reduces or increases GHG emissions) before commencement of the project. This assessment supports the determination of whether a project is in line with the Agency's goals or needs design modification. The tool, based on the Bilan Carbone® of the French Environment and Energy Management Agency (ADEME),⁶⁹ allows

65 At the time of writing, the Agency's activities were informed and guided by the Strategic Orientation Plan (POS II, 2007-2011).

66 Strategic evaluations are managed and commissioned by the Evaluation Unit at the request of AFD management and supervisory Ministries. Thematic capitalization refers to the comparative analysis of clusters of completed or ongoing interventions financed by AFD.

67 This considers projects with an annual potential capacity of abatement higher than 10,000 tCO₂e over its lifetime.

68 AFD has adopted the OECD's definition of adaptation of countries to climate change impacts.

69 The Bilan Carbone® (Carbon Balance), designed by ADEME and Jean-Marc

the AFD to be transparent and to be held accountable by partners and civil society (AFD, 2011b).

Designed in 2007, the carbon footprint tool was updated and simplified in 2011 to improve its user-friendliness and feature new data. A built-in database estimates likely GHG emissions and/or reductions resulting from projects, which are then compared with a no-project scenario. The difference between the 'project' versus the 'no-project' scenario has strong bearing on likely GHG impacts, and are necessarily conservative (AFD, 2011d).⁷⁰

Importantly to date, pre-project measurements of the carbon footprint of projects have not been designed to monitor or evaluate outcomes, but only to support pre-project assessment of the impact of intended AFD projects. AFD is working with a group of MDBs including the International Finance Corporation, IDB, and the European Bank of Reconstruction and Development, to harmonize their approach to measuring carbon-footprints (AFD, 2012).

The AFD's climate change unit supports the conduct of pre-project appraisals by operational units. It also validates the calculation and classification tools that are used to classify whether or not a project supports climate goals.

For monitoring purposes, the AFD is developing a number of *aggregated indicators*⁷¹ that align with internationally recognized standards. These include:

- renewable energy power financed or recovered;⁷²

Jancovici, is now the main tool for assessing carbon emissions from companies in France. AFD's carbon footprint tool is Excel-based and considers all GHGs covered by the Kyoto Protocol. The main emission sources of a project are considered in the calculation and gross emissions generated are compared with a business as usual scenario. As the carbon footprint is estimated only for 'direct' financing, the following are excluded: financial intermediation, budget support, and technical assistance (specific methodologies are currently being developed). In 2011 the tool was simplified and updated. More information on the tool and methodology can be found on AFD's web site at: http://www.afd.fr/jahia/Jahia/site/afd/Mesures_Impacts_Climat.

70 Internal procedures will need to be modified in order to ensure the tool's systematic use on every project, to integrate it into the term-of-reference documents for feasibility studies, and to disseminate it to AFD's partners (donors, local banks, clients, etc.) (Grandvoinet and Forestier, 2011).

71 The aggregated indicators for foreign states were introduced in 2004 and those for overseas in 2005. They have since been revised. For additional information see: <http://www.afd.fr/jahia/Jahia/home/AFD/L-AFD-s-engage/efficacite-aide/actions-AFD-en-faveur-efficacite-aide/indicateurs-agregables>

72 This indicator refers to renewable energy projects and tri- or co-generation projects.

- energy saved;⁷³ and
- amount of GHGs avoided annually.

The AFD regularly monitors and supervises project performance during the implementation phase.

At present, AFD does not systematically assess the post-project carbon footprint.

With regard to **adaptation**, AFD carries out the *pre-project* evaluation of a project according to an operational matrix of criteria that classify projects as 'adaptation'.⁷⁴ This tool⁷⁵ enables decision makers to direct financing solely to interventions that have a real impact on countries' specific vulnerabilities (water stress, precipitation, sea level rise, etc.).

Acknowledging the inherent difficulties in assessing an adaptation project's impact through indicators – as such impacts depend on the project type and the specific vulnerability addressed – AFD aims to develop an integrated methodology to perform monitoring assessment (AFD, 2009a).

POST-PROJECT EVALUATION

The Agency subscribes to the OECD-DAC evaluation principles, namely: *impartiality and independence, credibility, usefulness, participation, and coordination*.

For conducting *post-project* evaluations, AFD has operationalized these principles through a strategy that supports:

- *Regularity*: all operations must be evaluated within 6 to 18 months after completion;
- *Decentralization*: evaluation is managed by the AFD geographical departments and local agencies that follow project development;
- *Independence*: project evaluation is entrusted to external consultants or consulting firms;

73 This indicator is related to energy efficiency projects and represents the energy saved – usually of fossil origin – over the lifetime of the equipment. Other indicators that are in line with the Millennium Development Goals to which AFD contributes, have also been set (e.g. number of people connected to the electricity distribution network). Source: AFD Web site ([aggregated indicators](#)) and Guillaumie (2007), 'Comment Mesurer l'Impact Climatique?', AFD, Ex Post, No. 5.

74 AFD set up a precise typology of projects that can contribute to adaptation objectives, and the entire portfolio is screened against this typology (Loyer, 2009).

75 AFD, *Prise en Compte de la contrainte énergie – climate dans les projets financés. Analyse de la vulnérabilité* http://www.afd.fr/jahia/webdav/site/afd/shared/Elements_Communs/AFD/Manuel_analyse_de_la_vulnerabilite.pdf.

- *Prioritization of local expertise*: depending on the specific context, the mobilization of domestic expertise is promoted as far as possible;
- *Partnership*: foster active discussion of results with stakeholders.

AFD also conforms to the internationally recognized evaluation criteria of the OECD-DAC, i.e. *relevance, effectiveness, efficiency, impact, and sustainability*.

AFD has a system of post-project, decentralized external evaluation that is commissioned by geographical departments and local agencies and shared with local partners. This evaluation is entrusted to external (preferably local) consultants/experts.⁷⁶ The external evaluation process ensures an independent, impartial, and objective opinion.

The geographical departments and local agencies recruit consultants and manage the evaluation process. Consultants assess project performance according to the five evaluation criteria above and specific guidelines recommended in the Terms of Reference.⁷⁷ The Evaluation and Knowledge Development Unit provides methodological support to end-of-project evaluations carried out in the field and rates the quality of individual evaluation reports according to a quality grid that is published along with the report.

In 2011, decentralized evaluation covered 23 projects that represented about USD 596 million.⁷⁸ Every year, these assessments as well as the overall portfolio are reviewed and the results presented to the Board of Directors and published. These reviews promote the synthesis of lessons that facilitate learning. In 2011, the synthesis work focused on capacity building projects and lines of credit (AFD, 2011e), and the AFD extended the evaluation process to its associated NGO initiatives (AFD, 2011e).

The AFD also conducts thematic, sectoral, and impact evaluations in order to capture all clearly attributable

⁷⁶ Source: <http://www.afd.fr/jahia/Jahia/site/afd/lang/en/pid/182>; Naudet and Delarue (2007).

⁷⁷ The Evaluation and Knowledge Development Unit sets out the framework for the Terms of Reference. It also specifies the Terms of Reference for recruiting the evaluation consultant. Source: 'Termes de Reference (TDR) Types d'une Evaluation Retrospective Decentralisee', available at: <http://www.afd.fr/jahia/Jahia/lang/fr/home/recherche/evaluation-capitalisation/modeles-documents/pid/1820>

⁷⁸ In 2010, evaluation activities involved a portfolio of 50 projects completed between 2005 and 2009 that pertained to 19 countries and accounted for about EUR 900 million in financing. In three quarters of cases, local experts carried out assessments (AFD, 2011f).

effects that interventions have on beneficiaries (AFD, 2011e; afd.fr).⁷⁹

Impact evaluations are conducted by academic experts, while some evaluation products aimed at internal capacity building are carried out by in-house staff. In contrast, externally-recruited consultants carry out standard evaluations, with priority given to local consultants for project-level evaluations (OECD, 2010).

Has AFD improved its monitoring and evaluation of climate finance effectiveness?

AFD expressed its willingness to assess the impact of its overall operations as early as 2002, when it issued the first Strategic Plan. As the primary agency for implementing French aid, AFD focused its Strategic Plan on ODA-related topics. Since then, M&E processes have improved across AFD's portfolio of activities. Within this context, the AFD has made a large effort to measure and assess *pre-project* the impact of its climate change-related financing through robust methodologies and tools, a standardized process, and the establishment of a dedicated climate change unit.

Before the reform of the evaluation function in 2006, only 15% of the projects financed by AFD were assessed upon completion, and evaluation mainly relied on in-house project assessment. The Evaluation Unit was isolated from the rest of the organization, and as such, did not trigger any feedback process. Following reforms, the Evaluation Unit started to perform more systematic assessments while developing and internalizing a knowledge base (Naudet and Delarue, 2007). The process of systematic, decentralized post-project evaluation began in 2007 with eight evaluations conducted in four pilot countries. The process was then extended in 2008 and again in 2010 to all countries in which AFD operates.

MAIN CONCLUSIONS/LESSONS LEARNED

- AFD has integrated climate change into its strategies and operations by looking for convergences between the development, low-carbon growth, and adaptation needs of recipient countries. AFD has made a clear commitment to developing methodological approaches and knowledge in the field of impact evaluation and, in particular, to measuring the impact of the climate change-related projects it finances. The AFD's assessment tools for performing 'climate'

⁷⁹ AFD web site at: <http://www.afd.fr/lang/en/home/recherche/evaluation-capitalisation/Evaluation-impacts/concept-definition>.

classification of its development projects, such as the carbon footprint tool, exemplify its efforts to develop systematic approaches to climate interventions (Naudet and Delarue, 2007).

- While the M&E process recently underwent reform, unclear definitions and the specification of information needs still pose difficulties. The definition of objectives, indicators, and monitoring arrangements appear to be of variable quality at the project level, notwithstanding the existence of specific guidelines (Lefebvre et al., 2010).
- In the context of *post-project* evaluation, it is difficult to compare the expected and actual results of the project due to the lack of target objectives at the project formulation stage and the poor monitoring of results. This lack of rigor ultimately undermines the Agency's ability to assess the effectiveness of climate finance in individual interventions.
- At present, the Agency's management does not follow up on evaluation findings, as a formal response system is not in place (OECD, 2010).
- In line with the practices of other MDBs, the current M&E process focuses on concluded projects, thereby making it difficult to learn lessons in real-time and to apply them throughout the life cycle of the project.

2.8 Norway's International Climate and Forest Initiative (NICFI)

Total climate finance portfolio	Up to USD 0.5 billion p.a.
Climate-specific monitoring and/or evaluation framework	✓
Independent evaluation unit (team) ¹	✓
Results-based management framework	✓
Real-time evaluation	✓
Post-project evaluation	✓
Post-project evaluation of GHG impacts	X
Public disclosure of evaluation findings	✓

¹ Evaluation carried out by independent consultants.

HIGHLIGHTS

This section differs from the others presented in this report, as it focuses specifically on the real-time evaluation of Norway's International Climate and Forest Initiative (NICFI) instead of a whole agency or fund. Launched by the Government in December 2007, the NICFI is supported by annual pledges of up to NOK 3 billion (USD 0.5 billion) to fund REDD+ activities. The NICFI evaluation was the first of its kind commissioned and managed by the Evaluation Department of the Norwegian Overseas Development Cooperation Agency (Norad). A part of Norad's mandate is to implement independent evaluation of interventions financed by the government aid budget and to report findings directly to the Ministry of Foreign Affairs.

The evaluation of the NICFI was motivated by a strong interest in progressively assessing its results early on, in order to facilitate real-time corrections if necessary (Norad, 2011a). While NICFI is focused specifically on REDD+, the evaluation itself highlights general lessons that are valid for climate finance effectiveness.

A four-year program, the NICFI real-time evaluation will run from 2010 to 2013 (Norad, 2009). The first phase of the evaluation, from 2007-2010, was carried out by a consortium of independent consultants and experts, namely LTS International in collaboration with Indufor Oy, Ecometrica, and the Christian Michelsen Institute. Published by Norad in April 2011 (cf. Tipper et al., 2011), it primarily aimed to establish a baseline for subsequent *post-project* evaluations and to provide early feedback to stakeholders and the public about preliminary achievements.

The evaluation consists of two parts. The first evaluates NICFI's contribution to the development of an international REDD+ regime, while the second evaluates NICFI's support of national REDD+ strategies in Brazil,

the Democratic Republic of Congo, Guyana, Indonesia, and Tanzania.

Frameworks, procedures, and methods for assessing the effectiveness of (climate) finance

The objectives of NICFI are:

- To encourage the inclusion of emissions from deforestation and forest degradation in a new international climate regime;
- To take early action in achieving cost-effective and verifiable reductions in GHG emissions; and
- To promote the conservation of natural forests to maintain their carbon storage capacity.

The evaluation in turn assesses:

- Progress under the UNFCCC, toward agreement on REDD+ text in particular, and a new post-2012 climate change framework in general;
- The internal formulation and communication of Norway's REDD+ policy objectives and the consistency of NICFI actions with regard to these objectives and broader climate policies; and
- The international institutional framework and that of the Interim REDD+ Partnership.

The following OECD DAC evaluation criteria are used:

- Relevance - the alignment of NICFI's contribution with the target countries' policy goals and needs;
- Effectiveness - NICFI's contribution to outcomes likely to help achieve the policy goal; and

- Efficiency – the extent to which inputs have produced outputs in line with NICFI objectives.

The evaluation considers ongoing and completed activities and is comprised of desk studies as well as field-work and interviews with key stakeholders.

EVALUATION OF NICFI’S CONTRIBUTION TO THE DEVELOPMENT OF AN INTERNATIONAL REDD+ REGIME

While ‘relevance’ and ‘efficiency’ are assessed according to a narrative framework, Tipper et al. (2011) define 18 ‘effectiveness’ indicators in terms of progress on REDD+ within the UNFCCC regime, the development of REDD+ modalities and processes, the development of an institutional framework, the political commitment to REDD+, and the consistency of interim actions related

to REDD+. Progress against each indicator is rated and NICFI’s contribution to progress is assessed using qualitative scoring approaches. Policy documents and interviews with government officials and civil society organizations (predominantly Norwegian organizations outside of the recipient countries) serve as evidence for the assessment. Table 2 below summarizes the indicators, which are grouped into five categories.

The evaluation team stresses the challenges faced in evaluating ‘policy advocacy,’ particularly on a real-time basis in the complex and evolving area of REDD+. Areas such as institutional framework, policy and process development do not lend themselves easily to numerical assessment, and it is difficult to attribute the influence of one party to certain outcomes when multiple parties are involved. The evaluators highlight achievements and weaknesses in Norway’s engagement and make several

Table 2 NICFI global policy evaluation framework

REDD+ SECTION OF CLIMATE CHANGE NEGOTIATION TEXT
<ul style="list-style-type: none"> ▪ Overall development of the REDD+ negotiating text
AN OVERARCHING CLIMATE AGREEMENT
<ul style="list-style-type: none"> ▪ Development of post-2012 climate change agreement negotiating text ▪ Political agreement on limits to GHG emissions, burden sharing, and timescale ▪ Political agreement on the binding nature of GHG commitments ▪ Political agreement on the role of REDD+ within the overall agreement
DETAILED REDD+ MODALITIES AND PROCESSES
<ul style="list-style-type: none"> ▪ Definition of the scope of REDD activities ▪ Definition of reference levels ▪ Definition of role, scope, and requirements for Nationally Appropriate Mitigation Actions ▪ Definition of social and biodiversity safeguards ▪ Definition of stages to phased approach ▪ Definition of methods to be applied for monitoring, reporting and verification
AN INSTITUTIONAL FRAMEWORK
<ul style="list-style-type: none"> ▪ Development of multilateral institutions ▪ Development of Interim REDD+ Partnership actions
POLITICAL COMMITMENT AND MOMENTUM
<ul style="list-style-type: none"> ▪ Government funding commitments and political support ▪ Civil society organizations’ support for REDD+ agenda ▪ Media and public support
CONSISTENCY AND COHERENCE OF INTERIM ACTIONS ON REDD+
<ul style="list-style-type: none"> ▪ Consistency of agreements ▪ Clarity about basis for funding

Source: Tipper et al. (2011), adapted from Table 1 p. 14.

Box 4: Evaluation findings

The evaluation team concluded that NICFI's contribution to the advancement of REDD+ was substantial.

The evaluators highlighted the concerns of some experts about the appropriateness of Norway's funding agreements with Guyana and Brazil (given Guyana's historically low rate of deforestation and Brazil's internal progress on combating deforestation) and about the lack of clarity surrounding the financial mechanism being adopted under these agreements. The evaluators noted that there was not yet a sufficiently developed system to support an environmental services purchase model and that transactions currently follow an output (performance or results)-based aid agreement model.

The evaluators highlighted NICFI's contributions to multilateral REDD+-related funds such as FCPF but did not evaluate them directly. They reported some skepticism from interviewees on the effectiveness and efficiency of UN-REDD and FCPF in particular. The evaluators praised NICFI's funding of research studies carried out by civil society and research organizations but warned of some oversaturation and duplication of information.

The evaluation acknowledged that Norway's political, financial, and institutional contribution through NICFI had a 'galvanizing effect' on the progress of REDD+ negotiations and the development of modalities. In particular, it cited Norway's proposed phased approach to REDD+ implementation and its central role in setting up the Interim REDD+ partnership.

Evaluators highlighted the lack of clarity from NICFI on the criteria for acceptable host country low-carbon strategies/development plans (a precondition for support) and on expectations for safeguards of indigenous people and biodiversity. They also drew attention to Norway's lack of a stance on how to operationalize and finance REDD+ beyond the current REDD+ readiness phase.

The evaluation made several recommendations about how the NICFI should operate in the future, such as:

- NICFI efforts should focus on actions that will be beneficial even in the absence of a global REDD+ agreement;
- NICFI should explore models to leverage greater funding and increase the involvement of the private sector; and
- NICFI should support the elaboration of the phased approach to REDD+ implementation.

recommendations for how NICFI should operate in the future (see Box 4).

EVALUATION OF NICFI'S SUPPORT FOR NATIONAL REDD+ STRATEGIES

An individual evaluation is carried out for each of NICFI's focus countries. The evaluators have developed a standardized framework for examining each country's progress in five key areas and along 18 indicators identified in collaboration with Norad. Evaluations examine the status of NICFI's contributions to each country in 2007 and 2010 and provide concrete recommendations.

Data collection for the evaluations includes extensive stakeholder interviews (both national and international) and a literature review. Given the early stage of implementation of NICFI activities, the evaluations currently focus on providing a descriptive account of the baseline situation, noting any developments up to 2010, assessing their relation to NICFI activities, and providing preliminary indications of effectiveness and efficiency. Evaluations also establish the baseline for future evaluation within the five areas of activity.

The evaluation is qualitative but provides valuable details and updates on the state of play of many aspects of REDD+ development in the countries under consideration. It can also flag initiatives that are making limited progress (for example, the FCPF in Indonesia) and assess NICFI's contribution to progress in each country.

While NICFI support activities are documented, the effectiveness of those initiatives is not assessed in many cases. This is either because of difficulties in doing so (for example, assessing the impact of Civil Society Support Scheme research projects in Indonesia), or because it is still too early to judge. Difficulties assessing impacts are likely to continue for the foreseeable future while NICFI remains in the readiness phase and is focused on providing advisory and capacity building services. As work transitions to the development of concrete tools and projects, more concrete effectiveness evaluation should start to become possible.

Has NICFI improved its monitoring and evaluation of climate finance effectiveness?

This is the first phase of a four-year program of evaluation. The current evaluations largely set the baseline for

Table 3. NICFI country-level evaluation framework

NATIONAL OWNERSHIP
<ul style="list-style-type: none"> • Position of REDD in the national agenda • Transparency of REDD coordination and stakeholder inclusion • Civil society participation
REDD RELEVANT POLICIES, STRATEGIES, PLANS, AND ACTIONS
<ul style="list-style-type: none"> • Policy addresses the key issues • REDD strategy links well with NFP (or similar) • Plans allocate adequate resources • Actions address key policy issues
MONITORING, REPORTING AND VERIFICATION SYSTEMS
<ul style="list-style-type: none"> • Quality of national forest inventory • Frequency of national communications to UNFCCC • Quality assurance and quality control of verification
DEFORESTATION AND FOREST DEGRADATION RATES
<ul style="list-style-type: none"> • Rate of deforestation • Rate of forest degradation
LIVELIHOODS, ECONOMIC AND SOCIAL DEVELOPMENT AND ENVIRONMENTAL CONSERVATION
<ul style="list-style-type: none"> • Share of rural family income that is forest-based • Present or planned sharing of REDD payments among stakeholder groups • Rights of indigenous peoples and local communities to land and forest resources • Proportion of conservation forests • Proportion of certified production forests • Conservation included and applied in forest management guidelines

Source: McKenzie et al. (2011), summarized from table 19, p.107

future phases of NICFI evaluation. In many cases, it is too early or too difficult to evaluate the implementation of specific support streams.

In general, the Evaluation Department of Norad has stated that real-time evaluations will be a priority in its 2012-2014 evaluation program, particularly with regard to major investment areas related to climate, forestry, and renewable energy (Norad, 2012). In addition, the new program will enhance its focus on results and impacts. The Department aims to start at least two impact evaluations each year.

MAIN CONCLUSIONS/LESSONS LEARNED

While support activities are documented, the Norad evaluation of NICFI has not assessed the effectiveness

of those initiatives in many cases. This is either because of difficulties measuring impacts (for example, assessing the impact of Civil Society Support Scheme research projects in Indonesia), or because, as a real-time evaluation, it is still too early to judge. Difficulties assessing impacts are likely to continue for the foreseeable future while REDD+ itself remains in the 'readiness' phase when support will be focused on advisory and capacity building services. As work transitions to the development of concrete tools and projects, more concrete effectiveness evaluation should start to become possible.

- A range of qualitative indicators and criteria are being used to assess the effectiveness of policy advocacy. Broadening the scope of the evaluation to cover specific funded activities, such as REDD+ funds and research projects, could provide an even a more substantive indication of effectiveness.
- While early evaluations can risk prematurely judging the effectiveness of initiatives, country-level evaluations demonstrate that extensive consultation with relevant stakeholders can nonetheless provide valuable early indications, insights on progress, and recommendations for improvement going forward.
- As work transitions away from the readiness advisory and capacity building phase to the development of concrete tools and projects, more substantial effectiveness evaluation should become increasingly possible.

3. Conclusions and key lessons

What tools, frameworks, and methods are currently used to assess the effectiveness of climate finance?

While hundreds of millions in public finance dollars have been directed toward climate-related activities, keeping track of how this money is delivered, channeled, and used has been tricky in the absence of a single, well-defined, robust, and uniform reporting framework. Currently, the UNFCCC reporting framework has the best prospect of becoming such a platform. But until all Parties routinely provide complete and comparable information on support provided and received, it will remain difficult to universally assess the effectiveness and productivity of climate support programs.

Elsewhere, progress is real, but frameworks designed specifically to guide and assess public interventions are a relatively new phenomenon and are in large part, still under development. Demand for these frameworks derives from two main drivers: 1) the crystallization of recent international goals to rapidly mobilize available finance to tackle climate change around the world and 2) growing pressure from fiscally-constrained governments to extract the maximum benefit from each dollar spent.

The overall value of the climate investment portfolios held by multilateral and bilateral intermediaries is in the billions and growing. To this end, it is notable that all of the intermediaries surveyed have some version of a framework in place to guide prospective climate interventions. These range from 'operation strategies' that identify climate change as a key institutional and/or operational goal, through to principles that prioritize climate-specific outcomes and methods that help determine whether proposed measures will contribute to climate protection and/or adaptation and mitigation.

Has there been improvement in the monitoring and evaluation of climate finance effectiveness?

In general, tracking climate finance is difficult, and the rigorous impact evaluation of climate projects and programs is still rare. Though substantial improvements have been made to UNFCCC reporting requirements at the international level, more is still needed. In particular, reporting by not only developed countries but by developing countries as well would help track climate financing over its full life cycle, providing an understanding of

whether the support available corresponds to countries' needs.

At the same time, work is underway across the range of intermediaries surveyed to improve existing results-based management frameworks and to tailor these to match climate specific objectives. This includes refining processes to capture information related to the achievement of project-specific objectives, conducting pre-project evaluations to assess the project potentials and likely impacts, and developing better indicators to measure climate impacts across investment portfolios.

However, most intermediaries have not yet developed sufficiently specialized procedures to assess the effectiveness of climate finance spending. Tracking tools have started to capture data on the volume of spending, but the application of core indicators to measure effectiveness is still badly needed. The failure of most intermediaries to account for the GHG impact of projects upon project completion or to do so consistently is a case in point.

Given the need to scale finance at orders of magnitude, the gradual move away from project-level to thematic and strategic evaluation models is appropriate and should be an increasing focus. However, comprehensive and systematic evaluation of the productivity of different investment options could be enhanced at both the programmatic and portfolio level and would help to highlight approaches that are particularly innovative or transformative.

Are there lessons that can be applied to existing and new tools, methods, and strategies to monitor and evaluate finance more effectively?

Across the board there is evidence of practices that, if applied broadly, would significantly improve the ability to measure the effectiveness of climate finance. Examples include:

- **The development and use of 'core indicators' to assess the effectiveness.** This would streamline evaluation processes, enhance the comparability of information about different interventions based on multiple dimensions (including progress in institution and capacity building, transparency, public participation, and accountability), and promote faster learning of lessons.

The Climate Investment Funds' use of investment criteria, results frameworks and possible narrowing indicators to a core group has

potential to streamline M&E while retaining robust benchmarks.

- **Ensuring the project selection process favors projects with high 'effectiveness potential'.** A number of organizations (including WBG, GEF, AFD, and KfW) have highlighted the need for processes to prioritize projects according to their potential to target, funding toward those with the highest impacts and best prospects of success.

The GEF's implementation of resource allocation systems such as the RAF and the RAFs evolution into the GEF-5 STAR are a step in the right direction, and have helped to prioritize funding allocations based on each country's potential to generate global environmental benefits and capacity to successfully implement GEF projects.

- **Timely impacts evaluation.** Better specification of target objectives at the project formulation stage will minimize the risk of 'shifting goal-posts'. Ongoing real-time evaluation of impacts would facilitate corrections during the life-cycle and would lead to more accurate assessments of the physical, financial, and environmental sustainability of interventions over time.

GEF agencies undertake mid-term reviews for full-size projects under implementation and are encouraged to do so for medium-size projects and enabling activities.

The recent increased emphasis on results is a step in the right direction, but it is too early to tell how successful the implementation of results frameworks will be. While tools are being developed to track progress through the life of interventions, these need to be broadly consistent. As well, guidelines to support their use would promote detailed measurement of broadly analogous results, costs and benefits, and baseline data, and allow comparison, at least conceptually, to a counterfactual of non-intervention, would improve application and data quality.

In particular, real-time evaluation throughout the life cycle of interventions, regular portfolio reviews based on common methodologies, and public (or more frequent) disclosure of results would promote transparency and faster learning within and between intermediaries. Improving methods for quantitatively assessing inputs and outcomes would also allow results to be attributed to specific components of, or parties to, interventions. This would incentivize the

rapid identification and adoption of best practices and would facilitate true comparisons of, and understandings about, relative effectiveness across programs and portfolios.

It will be necessary to build capacity across the relevant actors to include these additional elements. As a result, the final lesson to be drawn from the ongoing process is that simplicity and a balance of donor and recipient country desires will be necessary. The rigor and comprehensiveness of measurement systems needs to be compared to the related transaction and administrative costs. Ultimately, what is needed is a M&E framework that provides information that is truly required to understand how well money is being spent and the impact it is having on tackling climate change.

List of Acronyms

ADB	Asian Development Bank	SREP	Scaling Up Renewable Energy in Low Income Countries Program
AFD	French Development Agency	STAR	System for Transparent Allocation of Resources
ARDE	Annual Review on Development Effectiveness	TOR	Terms of References
BFI	Bilateral Financial Institution	UNCTAD	United Nations Commission on Trade and Development
CCX	Chicago Climate Exchange	UNEP	United Nations Environment Program
CIF	Climate Investment Funds	UNFCCC	United Nations Framework Convention on Climate Change
CTF	Clean Technology Fund	WBG	World Bank Group
COP	Conference of the Parties		
DAC	Development Assistance Committee (of the OECD)		
EA	Environmental Assessment		
EBRD	European Bank for Reconstruction and Development		
EIB	European Investment Bank		
FIP	Forest Pilot Program		
GDP	Gross Domestic Product		
GEF	Global Environment Facility		
GHG	Greenhouse gas		
IBRD	International Bank for Reconstruction and Development		
ICR	Implementation Completion Report		
IDA	International Development Association		
IFC	International Finance Corporation		
KFW	German Development Bank		
LDCF	Least Developed Countries Trust Fund		
MDB	Multilateral Development Bank		
M&E	Monitoring and Evaluation		
NICFI	Norway's International Climate and Forest Initiative		
NORAD	Norwegian Agency for Development Cooperation		
ODA	Official Development Assistance		
OECD	Organisation for Economic Cooperation and Development		
PPA	Project Performance Assessment		
PPCR	Pilot Program for Climate Resilience		
RAF	Resource Allocation Framework		
ROTI	Review of Outcomes to Impact		
RBM	Results-Based Management System		
REDD	Reduced Emissions from Deforestation and Forest Degradation		
RMS	Results Measurement System		
SCCF	Special Climate Change Trust Fund		
SCF	Strategic Climate Fund		
SPA	Strategic Priority on Adaptation		

Glossary of Terms

RESULT FRAMEWORK	
Input	The financial, human, and material resources used for the development intervention (OECD DAC, 2002).
Impact	Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended (OECD DAC, 2002).
Outcome	The likely or achieved short-term and medium-term effects of an intervention's outputs. Related terms: result, outputs, impacts, effect (OECD DAC, 2002).
Output	The products, capital goods and services which result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes (OECD DAC, 2002).

EVALUATION CRITERIA ¹	
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirement, country needs, global priorities and partners' and donors' policies.
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results.
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
Impacts	The positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.
Sustainability	The continuation of benefits from a development intervention after major development assistance has been completed. The probability of long-term benefits. The resilience to risk of the net benefit flows over time.

¹ OECD-DAC web site: http://www.oecd.org/document/22/0,2340,en_2649_34435_2086550_1_1_1_1,00.html

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Appendix 1

Climate Change and the World Bank Group: an evaluation by the IEG

Phase I focuses on the role of the World Bank in encouraging energy policy reforms; Phase II focuses on WB support for low carbon development; while Phase III, not yet published, focuses on adaptation efforts.

Phase I: An Evaluation of World Bank Win-Win Energy Policy Reforms

The study focuses on the WB and its experience with GHG reducing energy policies and projects, including price reform, energy efficiency and gas flaring. Based on documentary, statistical evidence and interviews, it assesses the success of projects and reflects on sub-optimal outcomes.

To improve performance, the evaluation report recommends reorganizing the internal incentive system, promoting a system of integrated resource planning, collaborating more with international organizations to improve both monitoring and learning, and expanding impact assessment activities. It suggests tracking energy subsidies and assessing the distributional impact of alternative strategies to reducing subsidies. Overall, the IEG indicates that the Bank can do more to promote policies that catalyze private investments in renewable energy sources (RES) and energy efficiency (EE) and the transition to market-based energy prices.

WBG Management's response to the IEG evaluation is critical of its scope (excluding IFC), and questions the definition of energy efficiency efforts – given this excluded supply side energy efficiency, RES, and fuel switching. Management effectively dismissed all individual IEG recommendations on the basis that they (1) were unlikely to be effective, or (2) based on insufficient information, or (3) unfounded given 'ongoing' initiatives already in place to overcome the issues highlighted. This suggests that either IEG's evaluation is weak, or WBG is resistant of criticism.

Phase II: The challenge of low-carbon development

The report evaluates WB project-level experience in promoting RES and EE technologies prior to the adoption of the SFDC, and aims to inform its ongoing implementation. It aims to identify barriers to low-carbon technology adoption and diffusion, and assesses the impact of corresponding WB interventions. The

study plots individual investments' economic rate of return, as a summary measure of development impact, against the investments' carbon rate of return (net lifetime reduction in CO₂ emissions per dollar of investment), as a partial measure of co-benefits.

Although the report acknowledges the need to be current and not to rely on evaluations that are completed with a time lag, it does not consider the rise in climate related funding by the Bank since 2008.

Of the RES and EE projects initiated since 1990, IEG evaluated about 100, and only 3 of the more than 450 projects that were initiated between 2003 and 2008. Neither did it evaluate overall GHG impacts of the Bank, focusing instead on activities with the potential to reduce GHG emissions. Other relevant findings were:

- Much higher apparent economic and carbon returns, in general, for energy efficiency projects as compared to renewable energy projects (with certain caveats related to poor data quality and general lack of *post-project* evaluation);
- Recent demonstration projects track direct results, but not diffusion-of-innovation outcomes, i.e. how effectively results are reaching their intended audience;
- A lack of cost-benefit analysis impedes the WBG's ability to identify high return investments or inform future policy developments, such as REDD+;
- Publicly disclosing landfill carbon project data led to a rapidly improved understanding of the reasons for poor performance of these projects;
- The need to design internal incentives to produce results at the portfolio rather than project level, and to facilitate informative pilots that point the way to scaled-up opportunities;
- Traditional evaluation cycles are too slow; projects need to return early information on economic and environmental impacts during execution and soon after closure, to enable both WBG and global learning for future projects built on a results framework rather than money spent.

The Management Response to the Phase II evaluation was more positive and responsive than that of Phase I.

Appendix 2

Further information on the GEF evaluation process

Performance evaluation

In partnership with the evaluation offices of the GEF agencies, the GEF EO prepares the Annual Performance Report (APR) to inform the GEF Council and other stakeholders of: the results achieved by the portfolio of completed projects; the quality of M&E activities across the portfolio; and processes that influence the accomplishment of results. The APR is based on Terminal Evaluation reports also features an assessment of GEF Agencies' performance on relevant parameters, using the Performance Matrix.⁸⁰ It may also present detailed assessments on specific themes related to the performance of the GEF project portfolio e.g., the quality of M&E arrangements at entry.

The 2011 APR reviewed 109 completed projects for which terminal evaluation reports were submitted in 2011 and 419 terminal evaluation reports submitted from 2005 to 2010. These represented GEF spending of around USD144 million and USD 1.7 billion of GEF respectively (GEF/ME/C.42/01, 2012).

In addition to a desk-analysis review of the evidence presented in the terminal evaluation reports and other relevant documents, the EO conducts field verifications. Since 2007, about 14 verifications have been conducted; more are expected. An overall rating system is also in place, similar to that used in the terminal evaluation reports. It ranks projects *highly satisfactory*, *satisfactory*, *moderately satisfactory*, *moderately unsatisfactory*, *unsatisfactory*, *highly unsatisfactory*, and *unable to assess*.

In 2010 and 2011 APRs, the GEF EO accepted the performance ratings provided by the evaluation offices of three Agencies – the UNDP, UNEP and the World Bank – as consistency between the ratings systems of the GEF EO and of the three Agencies' evaluation offices had been established. GEF EO APR are published on the GEF EO web site.

Country Portfolio and thematic evaluation

Through the Country Portfolio Evaluations (CPEs) the GEF EO assesses the support offered in individual

⁸⁰ The matrix is limited to the World Bank, UNDP, and UNEP as completed projects from the other GEF Agencies are still not sufficiently significant. See the GEF EO Web site at: <http://www.thegef.org/gef/node/786> or the 2010 Annual Performance Report

countries across agencies, to evaluate the results of funded interventions and verify how these align with country strategies and priorities.

Countries are selected by a process designed to ensure, transparency, diversity and maturity of the portfolio, and regional coverage. Studies are conducted on a rolling basis based on the multi-annual planning covering the fifth replenishment period. Findings are summarized in an Annual Country Portfolio Evaluation Report (ACPER), which is then submitted to the GEF Council. So far, five ACPER have been realized by the GEF EO.⁸¹

Under GEF-5 Country Portfolio Studies (CPS) evaluate country portfolios using a reduced scope that provides additional assessment of smaller investments. CPS are conducted where a GEF Agency is undertaking/will undertake a country evaluation, in order to reduce the burden in these countries.⁸²

Thematic Evaluations assess overarching themes and tackle cross-cutting issues, specific strategies and priorities underpinning GEF operations. They cover programs, processes, focal areas and cross-sectoral evaluations. A synthesis report with the key findings and recommendations is prepared annually and presented to the Council at its November meeting.

Under GEF-5, thematic studies will feed into the Fifth Overall Performance Study (OPS 5) (GEF/ME/C.40/01). The GEF has budgeted USD 780 thousand for the first three years of the GEF-5 to undertake three thematic evaluations. Two additional ones are foreseen during the last phase of the GEF-5 (GEF/ME/C.40/01). At present, the GEF EO is carrying out two thematic evaluations, one focused on enabling activities, and one on the GEF-5 focal area strategies. The main findings will be presented to the GEF Council at its November 2012 meeting.⁸³

In October 2011 the GEF EO released the first Annual Thematic Evaluations Report 2011 (GEF/ME/C.41/02, 2011) to present the main conclusions and recommendations for the Evaluation of the GEF National Capacity Self-Assessment as well as provide an overview of the on-going thematic evaluations work program. In 2012 it started two thematic evaluations.

Impact evaluation

⁸¹ The ACPER 2012 is available at the GEF web site, <http://www.thegef.org/gef/ACPER%202012>.

⁸² GEF EO web site, <http://www.thegef.org/gef/CPE>.

⁸³ See the GEF web site for additional information <http://www.thegef.org/gef/OngoingThematic>.

Launched in 2005, the GEF EO implements a pioneering assessment method – **Review of Outcomes to Impact** (ROtI) methodology – that aims to analyze progress towards impacts shortly after project completion.⁸⁴

The aim is to review: whether there is evidence that GEF interventions created adequate conditions to allow follow-up activities to take place; whether partners assumed their responsibilities; and if this led (or is leading) to changes in behavior, markets, management of natural resources, and, ultimately, to global environmental benefits.⁸⁵ The ROtI methodology is based on a ‘Theory of Change’ approach⁸⁶ and while initially a desk exercise, it is now based on fieldwork.⁸⁷

In the **climate change focal area**, the assessment of progress towards mitigation impacts is carried out by using GHG emissions reduction/avoidance at project closing using information provided in the terminal evaluations. A rating system is in place to identify progress towards impacts.

84 The methodology is still considered to be experimental, as the validity of its estimates can only be rigorously ascertained from field testing of project impacts many years after terminal evaluation. Source: OPS4, 2010.

85 This methodology requires recognition that the final impact of follow-up activities of its support will be attributable to its partners. The approach begins by identifying assumptions about the elements that would enable follow-up activities once GEF support has ended. It employs and establishes the theory of change for the intervention and then assesses the causal pathways from outcomes to impact. Projects are then rated. Global environmental impacts at GEF are generally defined as ‘lasting improvements in the status of an aspect of the global environment that safeguards environmental functioning and integrity as well as benefiting human society’. See ‘The ROtI Handbook: Towards Enhancing the Impacts of Environmental Projects’ available at <http://www.thegef.org/gef/node/2225> and the OPS4, 2010 at <http://www.thegef.org/gef/node/1952>.

86 The ‘Theory of Change’ is a ‘theory-based evaluation tool that maps out the logical sequence of means-ends linkages underlying a project and thus makes explicit both the expected results of the project and the actions or strategies that will lead to the achievement of results.’ Basically, it encompasses three key steps: 1) Evaluators try to identify the project’s intended impacts, generally described in project documentation or identified through a scoping process, then, 2) review projects’ logic framework to verify whether the project design was consistent and appropriate in delivering the desired impacts, and finally, 3) consider the processes that occur in converting the project’s outcomes into potential impacts. At this stage, specific attention is placed on the drivers of impacts that might be generated by the project itself, by a parallel project developed by GEF or another of its partners, or established by the recipient government.

87 OPS4 conducted a desk-review assessment of the whole cohort of projects (more than 200). Since then, the EO now conducts only field ROTIs. This allows for the gathering of additional information through interviews with stakeholders.