

# Asian Development Bank

# GEF Annual Monitoring Review FY 2009

# Agency Overview Report

December 2009

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### I. EXECUTIVE SUMMARY

ADB has been working closely with GEF since the mid-1990s. With the approval of ADB's direct access to GEF full project resources in 2002, the partnership has been further strengthened. The partnership is anchored on the recognition that the drive for global sustainability should be rooted in strong links between environment and development— a clean environment is essential for both sustainable development and poverty reduction. The ADB-GEF partnership has provided substantial opportunities to blend ADB resources for sustainable development with GEF resources for the global environment.

The ADB Annual Monitoring Review (AMR) in FY 2009 covers 5 full-size projects spread over the following focal areas: biodiversity (2 projects); climate change (1); land degradation (1 project); and multifocal (1 project). Four are national projects covering Sri Lanka (1 project) and China (3 projects) while the fifth project is regional covering the Central Asian countries of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. During the reporting period, ADB was jointly implementing with UNEP the global climate change project, Renewable Energy Enterprise Development – Seed Capital Access Facility (REED-SCAF). This project is not included in this report as it is being covered by UNEP as the lead GEF agency. The information for the AMR is based from the five Project Implementation Review (PIR) reports that form part of this submission.

Total GEF grant for the above five projects reached \$39.43 million distributed as follows: biodiversity – 57% (\$22.34 million); climate change – 16% (\$6.36 million); land degradation – 8% (\$3.02 million); and multifocal – 20% (\$7.7 million). Geographical distribution is as follows: China – 66%; Sri Lanka – 26%; and Central Asia (regional) – 8%. Total cofinancing committed for the execution of these projects amounted to \$143.22 million, of which 44% (\$62.42 million) is from ADB loans and grants, 46% (\$64.4 million) from government and 11% (\$16.4 million) primarily from beneficiaries. Cofinancing ratio for the entire portfolio stood at 3.63 demonstrating that GEF funds was catalytic in mobilizing cofinancing from a variety of sources.

Ratings of progress towards achievement of overall project objectives were generally Satisfactory (S) with four projects under this category and one project reported Marginally Satisfactory (MS). Progress towards specific outcomes and outputs ranged from S to Highly Satisfactory (HS) although one project reported a MS progress. With respect to the factors necessary to achieve global environmental objectives, i.e., institutional sustainability, financial sustainability, country ownership and stakeholder involvement, most of the ratings were primarily S, followed by HS and one MS. The ratings on implementation progress mirror the ratings of overall progress although one project (China: Efficient Utilization of Agricultural Wastes) reported a HS rating. Project overall risk rating was generally Low for four projects while one project reported moderate risk in achieving its objectives.

The ADB-GEF portfolio is relatively small and lessons from the portfolio are evolving. Of special mention at this time is the importance of identifying and working on the synergies between global environmental objectives with local environmental and development objectives in investment and technical assistance projects to ensure success, as in the case of the China project on Efficient Utilization of Agricultural Wastes.

### II. ADB-GEF PORTFOLIO, CO-FINANCING AND LEVERAGE

There are five ADB-GEF projects<sup>1</sup> under implementation in FY 2009 (July 2008 to July 2009), which are covered by this report (Table 1). The projects are spread over 4 focal areas – two projects in biodiversity (BD), one in climate change (CC), one in land degradation (LD) and one in multifocal area (MFA). Four projects are national in scope of which 3 are in China while the other is in Sri Lanka. The fifth project is regional covering 5 Central Asian countries.

Three of the projects (GEF ID: 1105, 1126 and 878) are investment projects while the remaining two are technical assistance (TA) projects supporting programmatic approaches which are led by ADB. The PRC-GEF Partnership on Land Degradation is a long-term country programming framework (CPF) that covers a 10-year period. Investment subprojects under this program are implemented by ADB, WB and IFAD. The CACILM program is also long-term program but is regional in scope covering 5 countries indicated in the table. National investment subprojects are being implemented by ADB while a regional and national subprojects primarily aimed at capacity building are led by UNDP.

GEF ID	Project Title	Focal Area	Countries Covered
1105	Efficient Utilization of Agricultural Wastes	CC	China
956	PRC/GEF Partnership on Land Degradation in Dryland Ecosystems Project 1 - Capacity Building to Combat Land Degradation	MFA* (primarily LD)	China
1126	Sanjiang Plain Wetlands Protection	BD	China
3230	Central Asian Countries Initiative on Land Management (CACILM) Multicountry Partnership Framework Support	LD	Kazakhstan, Kyrgyztan, Tajikistan, Turkmenistan Uzbekistan
878	Protected Area Management and Wildlife Conservation	BD	Sri Lanka

#### Table 1. ADB-GEF Portfolio, FY 2009

Note: More detailed project information is provided in the Annex Table.

\* Originally under OP12 – Integrated Ecosystem Management

The financing data for the 5 projects covered by this review are summarized in Table 2. Total GEF grant for project implementation is \$39.43 million with more than 50% accounted for by the two BD projects. The remainder of the GEF funds is spread over the CC, LD and MFA projects.

Table 2, Financing	Data for ADB-GEF Projects	5. FY 2009	(amounts in US\$ million)
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Focal Area	GEF		Total				
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Biodiversity	22.34	27.00	36.11	4.90	68.01	90.35	
Climate Change	6.36	33.12	23.59	14.20	70.91	77.27	
Land Degradation	3.03	1.30	0.50	1.30	3.10	6.13	
Multifocal Area (LD)	7.70	1.00	0.20	-	1.20	8.90	
Total	39.43	62.42	60.40	20.40	143.22	182.65	

<sup>&</sup>lt;sup>1</sup> The list of all ADB-GEF projects endorsed by the CEO is in Annex 1.

Cofinancing for the 5 projects reached over \$143 million. The overall cofinancing ratio is 3.6, which means that ADB and GEF were able to substantially leverage each other's funds for the global environment. Across focal areas, higher cofinancing level and ratio may be observed for the BD and CC projects due to their investment components. On the other hand, the two technical assistance projects in MFA and LD focal areas have lower cofinancing, however, these are program support subprojects that coordinate subprojects involving significant investments implemented by ADB, WB and IFAD.

Figure 1 shows the cofinancing by source. The percent shares of ADB and the government are not far apart. The 1.4 percentage point difference (equivalent to about \$2 million) is due to the relatively higher ADB investment funding for the CC project in China and the BD project in Sri Lanka. Other cofinancing sources include project beneficiaries (farmers and private enterprises) for the China CC projects, bilateral (Government of Netherlands) and beneficiaries (e.g., communities) for the Sri Lanka BD project and bilateral (Government of Germany - GTZ) and international research institutions (ICARDA - International Center for Agricultural Research in Dry Areas) for the LD (CACILM) project.

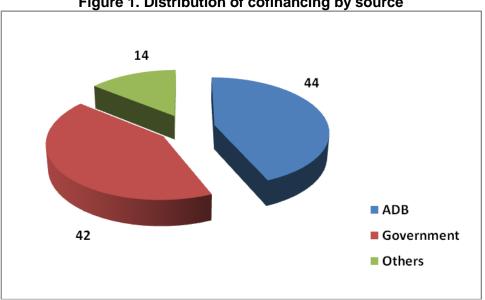


Figure 1. Distribution of cofinancing by source

## III. PORTFOLIO PERFORMANCE BY FOCAL AREA

Except for the regional CACILM support project which was endorsed in GEF-4, the endorsement dates for the four national projects came prior to the current replenishment cycle. The Sri Lanka project was endorsed in GEF-2 while the three other national projects are GEF-3 cohorts. Nevertheless, the contribution of the entire portfolio will be assessed against the GEF-4 Strategic Priorities and Programs for the relevant focal areas.

## A. <u>Contributions towards focal area strategic priorities/programs and targets</u>

### 1) <u>Biodiversity Focal Area</u>

The contributions of the two BD projects to the applicable strategic objectives and programs are discussed below.

Strategic Objective 1: To catalyze sustainability of protected area (PA) systems

- The ecological integrity and function of wetland nature reserves (NRs) are being improved by reclaiming farmlands and converting them into wetlands through a pilot initiative through the Sanjiang Plain project (GEF ID: 1126). To date, 3,102 ha of pilot farmland-to-wetland reclamation sites have been selected in five NRs. Lessons learned from the pilot site will be replicated in other wetlands in the project site and elsewhere. In the same area, the upper watershed forest cover has been increased by 8,457 ha to date through new forestry plantations. These are expected to regulate water flow into the downstream wetland NRs.
- The financial sustainability of the NRs is being initiated through the preparation of the Master Plan on Eco-tourism Development for Sanjiang Plain Area and its incorporation into the provincial tourism plan (GEF ID:1126). Ecotourism plans have also been prepared by the Sri Lanka project (GEF ID: 878) for the same purpose and support infrastructure such as visitor centers, nature trails and observation towers has been completed.
- The Protected Area Conservation Fund was created and now operational in the Sri Lanka project (GEF ID: 878) to support PA management and wildlife conservation.

# Strategic Objective 2: To mainstream biodiversity in production landscapes/seascapes and sectors

- The recovery plans for nine targeted globally-threatened water bird species in the Sanjiang Plain such as the oriental white stork have been prepared and in the process of being integrated into the Heilongjiang Province Forestry Department (HPFD) Master Plan (GEF ID: 1126).
- The Sanjiang Plain Water Resources Master Plan that includes a water allocation plan to wetland NRs was approved by the Songliao Water Conservancy Commission for subsequent approval by the provincial government through the project (GEF ID: 1126).
- Protected area management in Sri Lanka has been strengthened through the parliamentary enactment of the Flora and Fauna Protection Ordinance that was worked out by the project (GEF ID 878).

## 2) <u>Climate Change Focal Area</u>

Strategic Objective 5: To promote the use of renewable energy for the provision of rural energy services (off-grid)<sup>2</sup>

 Sustainable annual global environmental benefits in the form of avoided GHG emissions estimated at 97,500 t of CO<sub>2</sub> from the China project (GEF ID: 1105) This proceeds from the production of about 10.71 million m<sup>3</sup> per year of renewable biogas energy and the treatment of over 446,248 tons of pig manure annually which also result in improvements in local environmental conditions such as cleaner air and groundwater quality.

# 3) Land Degradation Focal Area<sup>3</sup>

Strategic Objective 1: To develop an enabling environment that will place Sustainable Land Management (SLM) in the mainstream of development policy and practices at the regional, national and local levels

- SLM is being achieved through the mainstreaming of provincial Integrated Ecosystem Management (IEM) strategies and action plans for land degradation control into local social and economic development plans in the 6 western provinces of China (GEF ID: 956). Provincial legal and policy frameworks for combating land degradation have been formulated. Soil and water conservation plans for land degradation control and desertification management have been incorporated into the 11<sup>th</sup> Five Year Plan at both national and provincial levels and in the New Countryside Program, with corresponding budget allocation. In parallel, a team of professionals have been capacitated in IEM approaches to effectively implement project activities to combat land degradation.
- Policy frameworks for SLM are being reviewed/formulated/amended/approved in the Central Asian countries (GEF ID: 3230). In Kazakhstan, the Presidential Regulation on "Adoption of Ecological Criteria of Land Assessment" was approved. In Tajikistan, amendments to the Law on Farm Unions and Land Code which contribute to land tenure optimization are being introduced. In Turkmenistan, recommendations have been provided for the formulation of a Forest and Pasture Law based on participatory experiences in forest and pasture areas in different ecological zones. In Kyrgyztan, the development of concepts on food security and law on development of the agricultural sector is ongoing. In Uzbekistan, the process of formulating policies on agricultural optimization has been initiated with the support of the government.

Strategic Objective 2: To upscale SLM investments that generate mutual benefits for the global environment and local livelihoods

 Innovative development approaches to combat land degradation involving considerable investments in China and Central Asia (in particular Uzbekistan and Tajikistan) are in various stages of implementation or preparation in FY 2009. Under the PRC-GEF Partnership program, total investment (represented by cofinancing for 6 subprojects) is estimated at about \$665 million with ADB accounting for about \$389 million (for two subprojects), WB at \$251 million (for 3 subprojects) and IFAD at \$25 million (for one

 $<sup>^{2}</sup>$  This is listed as one of the objectives of the CC focal area in GEF-4 but was not pursued directly.

<sup>&</sup>lt;sup>3</sup> The discussion includes the PRC-GEF Partnership Project, a multifocal project that primarily tackles land degradation.

subproject). In the CACILM program, 3 ADB investment subprojects have total cofinancing of about \$128 million. The investment subproject in Kyrgyz Republic has now been cancelled upon the request of the government, which brings the cofinancing down to about \$98 million.

### B. Outcomes and implications for the overall portfolio

The contributions of the ADB-GEF portfolio to the strategic objectives and programs in various focal areas as described above proceed from some innovative approaches undertaken in some of the projects to achieve global environmental benefits. These are described briefly below with a focus on their implications on the entire ADB-GEF and GEF-wide portfolio.

- Integrating global environmental objectives into primarily local development-oriented projects could be mutually reinforcing and synergistic. In the case of the China CC project (GEF ID: 1105), the project is primarily aimed at improving the local environment and promoting economic growth to improve the welfare and living conditions of rural households by generating cleaner biomass energy and increasing agricultural productivity through efficient utilization of agricultural wastes. The project's execution performance has been rated highly successful (HS) during the reporting period with the construction of 18,802 small-scale biogas digesters producing 10.71 million m<sup>3</sup> per year of renewable biogas energy. The project enhanced agricultural productivity through the use of sludge as organic fertilizer in farms, benefitting about 18,800 households. Local environmental benefits are in terms of improved air and groundwater quality while the global environmental benefits are in the form reduced CO<sub>2</sub> emissions estimated at 97,592 t per year. ADB is now moving to support medium and large-scale digesters in China through another ADB-GEF drawing from the experiences in this project.
- Innovative approaches yield positive results provided there is common understanding of the approach and there is a supportive policy environment and institutional arrangements. The IEM approach in combating land degradation in China is innovative at the time of the conceptualization and approval of the PRC-GEF Partnership program (GEF ID: 956) and continues to be relevant at this time. By design, the first subproject under this program is aimed at improving policies, laws and regulations for land degradation control using the IEM approach and developing the corresponding institutional capacity from the provincial to the county levels. To date, the project has already effectively promoted the application of the IEM concept and approach, enhanced national and local capacities through training of a team of professionals and intensified cooperation and coordination with international partners. Encouraged by the results from this subproject, the Program has now moved into its second phase involving significant investments employing the IEM approach and continuing on with the policy and management support for the Partnership.

# C. Progress on projects that received sub-optimal ratings in AMR 2008

There were no projects that received sub-optimal (unsatisfactory) ratings in FY 2008.

## D. Portfolio Risk

The risks of not meeting the objectives of the project during its duration are rated Low (L) for four of the five projects covered by this review. The low risk rating for these projects may be attributed to the following: a) regular dialogues being conducted by the project proponents with their respective executing and implementing agencies (as in Projects 3230, 1105 and 878); and b) adaptive management to deal with complex tasks that require flexible approaches and responsive interventions (as in Project 956).

The exception is the China BD project (GEF ID: 1126) for which the risk rating is moderate (M). The rating is on account of the implementation challenges faced early on by the project, while already resolved they continue to affect project progress in FY 2009. The reallocation of the investment and GEF financing delayed the release of funds and therefore the start of project implementation activities. As of June 2009, the overall progress of the project is estimated at 49.6% against an elapsed investment period of 72.6%. The progress of the project is being monitored closely but ADB and the Steering Committee, Project Management Office and the Project Implementation Units. Extension of project duration by 1.5 years to June 2012 is now being considered to accommodate the delay.

### IV. BEST PRACTICES

The project execution performance for the China CC project (GEF ID: 1105) was rated HS but fell short of the poverty-related activities, hence its overall implementation progress is ranked S. The best practice that is emerging from this project as described in section III.B above is reiterated and that is – global environmental objectives (i.e., reducing GHG emissions) should be integrated closely into the local development and environment-oriented baseline project in a mutually reinforcing manner. In this case, the baseline project's objective is improvement in air and groundwater quality and increase in agricultural production are complementary to the global environmental objective.

### V. ADMINISTRATIVE EXPENSES

Table 3 shows the administrative costs incurred by ADB in carrying out its partnership with GEF in FY 2009. The computations follow the guidelines provided by GEF. Staff time is based on estimates of the actual time (in work-days) spent for corporate and project cycle management activities. Staff costs consist of salaries and benefits. Salaries of staff are computed using the starting salary for the position designation of each staff while benefits are a fixed percentage of the salary. The total working-days per year is set at 260; this is used to convert annual salaries and benefits into work-day equivalent. Consultant costs and travel costs are actual expenditures. Overhead costs, on the other hand, is at 36% and is applied only to staff salaries (without benefits).

The total person-days spent for the ADB-GEF partnership reached 2,291 in FY 2009. About 2/3 is accounted for by staff (professional and support staff) while the remainder is primarily by technical consultants. This is equivalent to about 8.8 person-years of both professional or technical staff/consultants and local/support staff.

Total administrative expenses incurred by ADB in FY 2009 reached \$1.403 million of which 57% is staff cost, 21% is consultant cost, 9% is travel and 13% is overhead. About 18% of the total is accounted for by corporate activities while 82% is for project cycle management. Project preparation and approval costs constitute the single biggest category with 55% of the total while the share of supervision, monitoring and evaluation costs reached 27%. This reflects the growing ADB-GEF portfolio and the relatively large number of projects being prepared for Council approval and CEO endorsement during the reporting period. These include the CTI program and its subprojects, the PRC-GEF Partnership on Land Degradation program framework and several subprojects, CACILM investment subprojects and other independent projects that are not part of an ADB-led program.

### Table 3. ADB Administrative Costs, FY 2009

1. Corporate Activities	Staff time (days)	Consultant time (days)	Staff cost (i) (\$)	Consultant cost (i) (\$)	Travel costs (ii) (\$)	Overhead costs (iii) (\$)	Total Cost (\$)	Percent (Column Total)
a) Policy Support	89	39	59,745	17,946	9,746	13,142	100,578	7
b) Portfolio Management								
i) Pipeline and program management	41	12	5,776	5,896	0	1,393	13,064	1
ii) Financial and Data Management	115	7	45,548	2,906	0	10,296	58,750	4
c) Reporting	77	12	29,460	4,957	0	6,707	41,124	3
d) Outreach and knowledge sharing	33	10	16,836	5,282	10,159	3,712	35,989	3
e) Support to the GEF EO	8	0	7,072	0	0	1,125	8, 198	1
Subtotal	363	79	164,437	36,986	19,905	36,375	257,703	18
2. Project Cycle Management								
a. Project preparation and approval	569	554	367,022	230,558	90,431	80,956	770,090	55
b. Project supervision, monitoring and evaluation	631	96	269,873	28,031	16,940	61,639	376,483	27
Subtotal	1,200	650	636,895	258,589	107,371	142,595	1,145,450	82
TOTAL	1,562	729	801,332	295,575	127,276	178,971	1,403,153	100
Percent (Row Lotal)			57	21	9	13	100	

Note: Numbers are rounded off.

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U		Country	Project Title	Area	Project Size	Date	Date	Proposed Closing Date	Actual/ Proposed Closing Date	PDF / PPG Funding	GEF Grant	GEF Disbursements as of June 2009	Cofinancing Proposed	Cofinancing Actual	Midterm Date	Terminal Evaluation Date <sup>b</sup>	Overall DO Rating (Objective)	Overall Rating (IP)	Overall Risk Rating	Implemen- tation Status
878		_	Protected Areas and Wildlife Conservation Project	BD	FP	12/07/2001	17/09/2001	31/12/2006	08/04/2009	335	9,000	7,905	24,500	25,015			Moderately Satisfactory	Satisfactory		Closed
1105	Asia	PRC	Efficient Utilization of Agricultural Wastes	CC	FP	30/05/2002	16/06/2003	30/06/2008	31/12/2009	-	6,400	5,144	70,900	71,794			Satisfactory	Satisfactory	/ Low	Ongoing
1684	Asia		National Performance Assessment and Subregional Strategic Environment Framework in the GMS	MFA	MSP	18/12/2002	11/12/2002	-	14/04/2008	-	800	791	1,600	1,850		27/06/2008				Closed
1870	Asia	REG	Prevention and Control of Dust and Sandstorms	MFA	MSP	18/12/2002	11/12/2002		30/06/2006	-	500	333	715	1,525		12/05/2006				Closed
1907	Asia	AFG	Natural Resources and Poverty Alleviation Project	BD	MSP	16/12/2003	23/12/2004	30/11/2006	31/12/2008	-	975	711	750	932		28/05/2009				Closed
1183	Asia	CAM	Tonle Sap Environmental Management Project/Tonle Sap Conservation Project <sup>a</sup>	BD	FP	19/04/2004	27/03/2003		02/02/2009	350	3,246	-	15,536	15,423						Ongoing
956 /	Asia	PRC	PRC/GEF Partnership on Land Degradation in Dryland Ecosystems: Project 1-Capacity Building to Combat Land Degradation	MFA	FP	25/05/2004	28/06/2004	-	31/12/2009	350	7,700	6,303	7,300	1,200			Satisfactory	Satisfactory	/ Low	Ongoing
1126	Asia	PRC	Sanjiang Plain Wetland Protection Project	BD	FP	07/02/2005	09/12/2005	-	31/12/2010	330	12,142	2,807	42,246	44,160			Satisfactory	Moderately Satisfactory		Ongoing
3230	ECA	REG	Central Asian Countries Initiative for Land Management (CACILM) Multicountry Partnership Framework Support Project-under CACILM Partnership Framework, Phase 1	LD	FP	17/10/2006	24/11/2006	-	31/12/2009	-	3,025	1,750	3,300	1,000			Satisfactory	Satisfactory	/ Low	Ongoing
1185	Asia	PHI	Integrated Coastal Resources Managmenent Project	BD	FP	01/12/2006	29/06/2007	31/12/2012	30/06/2013	335	9,000	30	54,000	54,318						Started
1609	Asia		Renewable Energy Enterprise Development-Seed Capital Access Facility (REED-SCAF)	CC	FP	31/05/2007	31/01/2008	01/09/2013	31/12/2012	-	4,200	33	40,500	58,910						Ongoing
3232	ECA	UZB	CACILM Partnership Framework-Land Improvement Project	LD	FP	16/07/2007	21/08/2008	-	31/03/2013	-	3,000	-	77,180	77,030						Started
3233	ECA		CACILM: Southern Agriculture Area Development Project-under CACILM Partnership Framework, Phase 1	LD	FP	15/05/2008	10/09/2007	-	31/12/2013	-	2,500	-	29,534	29,730						Cancelled
3234	ECA		CACILM: Rural Development Project- under CACILM Partnership Framework, Phase 1	LD	FP	15/05/2008	05/05/2009	-	30/04/2014	-	3,500	-	20,660	20,832						Started
2788	Asia	PRC	Ningxia Integrated Ecosystem and Agricultural Development Project	BD	FP	25/07/2008	03/06/2009	-	30/04/2015	350	4,545	-	210,730	217,350						Started

### Annex 1: ADB-GEF Project Summary Table FY 2009 (amounts in \$ 000)

Notes:

a. The GEF component for the Tonle Sap project (GEF ID:1183) is implemented by UNDP. The numbers for this project pertain to the investment project being administered by ADB.
 b. The terminal evaluation dates pertain to the conduct of completion reports following ADB guidelines.

C.

The cofinancing data for the REED-SCAF project were taken from the PIR report submitted by UNEP. No PIR was prepared for PHI ICRMP (GEF ID: 1185) as there has been no material progress to date. The consulting firm that will implement the project has not been mobilized in FY09. d.