WORLD BANK
GEF ANNUAL MONITORING REPORT
FY10

December 15, 2010

(*Submitted December 22, 2010*)

TABLE OF CONTENTS (ii, iii)

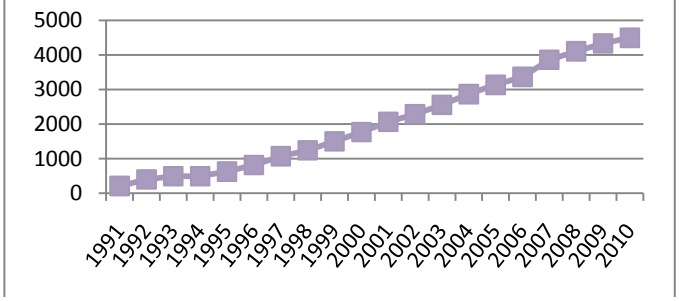
1. PORTFOLIO OVERVIEW

This section presents an overview of the World Bank Group's (WBG) engagement with the GEF, starting with aggregate numbers, followed by key information for the period under review, Fiscal Year 2010 (FY10), that is July 1 2009 - June 30 2010. Subsequent sections of the report present progress made related to the 201 projects under implementation by the WBG in the Fiscal Year.

CUMULATIVE APPROVALS SINCE GEF INCEPTION

Over the course of FY10, the WBG's portfolio of GEF projects grew, reaching a total of 670 projects approved in Work Programs by the GEF Council since its inception. The cumulative value of the World Bank's GEF program over 20 years now stands at US$4.5 billion, as highlighted in Figure 1.1[1].

Figure 1.1 World Bank Group GEF Council Cumulative Approvals 1991-2010 (US$m)



Very modest changes in the distribution of FSPs were experienced across focal areas in FY10, based on projects entering and exiting the portfolio. The cumulative share of climate change projects amount to 41% of total GEF grants for the WBG. With biodiversity representing 31% of grants, these two focal areas continue to dominate the Bank's FSP portfolio (Figure 1.2.a). Projects in the biodiversity focal area also remained the major part of the Bank's MSP portfolio, representing 65% of total GEF grants (Figure 1.2.b.). The shares of other focal areas for both FSPs and MSPs within the Bank have remained constant since the last reporting period.

Figure 1.2.a.
FSPs Council Approval 1991-2010
Distribution by Focal Area
(Total Council Amount - US$4.4 billion)

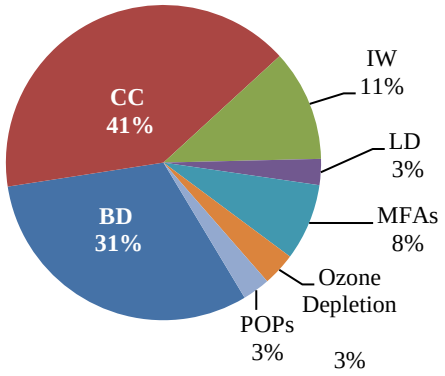
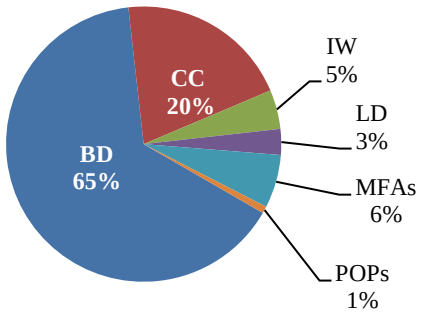


Figure 1.2.b.
MSPs Council Approval 1991-2010
Distribution by Focal Area
(Total Council Amount - US$123 million)



[1] This figure includes approved amounts in Council Work Programs, and therefore reflects different project cycles including Project Identification Forms from 2007.

The bulk of the WBG's GEF activities are centered in three regions: Latin America and the Caribbean (LCR), Sub-Saharan Africa (AFR) and East Asia and the Pacific (EAP). The historic distribution of FSP and MSP approvals, by region, is outlined in Figures 1.3.a. and 1.3.b.

Figure 1.3.a.
FSPs Council Approval 1991-2010
Distribution by Region
(Total Council Amount - US$4.4 billion)

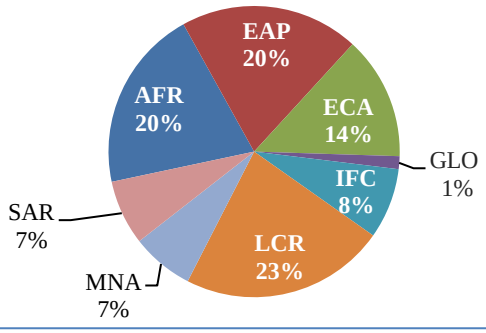
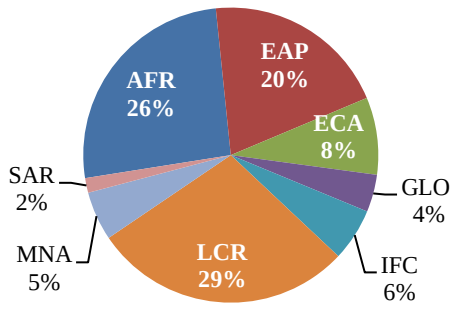


Figure 1.3.b.
MSPs Council Approval 1991-2010
Distribution by Region
(Total Council Amount - US$123 million)



During FY10, the portfolio of the Latin America and Caribbean Region was the largest within the Bank with respect to project development as measured by both GEF Council approvals (30%), and Bank management approvals (22%). Two other regions – East Asia and the Pacific (EAP) and the Middle East and North Africa (MNA) - experienced a slight rise in GEF activity over the reporting period.

FY10 GEF Council Approvals

In FY10, the GEF Council approved 10 full-size project (FSP) Project Identification Forms (PIFs) and 17 medium-size projects (MSPs) for a total of US$154 million for the WBG. The annual rate of growth of the WBG's portfolio declined in FY10 as compared to past years, as outlined in Figure 1.4.

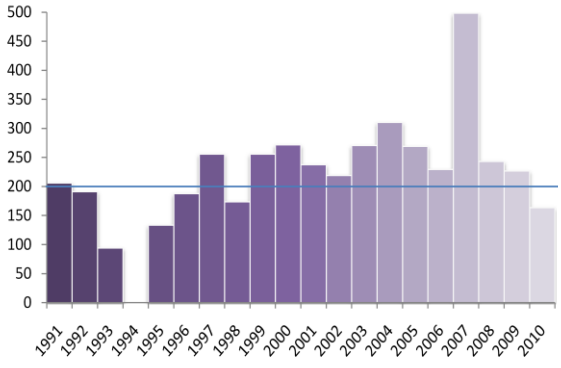


Figure 1.4. Annual World Bank Group-GEF Approvals 1991-2010 (US$ M)

The average grant size of approved projects has also decreased; full-size projects at Work Program inclusion have decreased on average from US $8.7 million in FY07 to US $4.7 million in FY10 (with US $6.9 million in FY08 and US $5.6 million in FY09).

Portfolio Under Implementation

In FY10, the WBG's active portfolio was comprised of 201 projects: 176 FSPs and 25 MSPs, presenting total GEF grants of US$1.652 billion[2]. The focal area distribution, in Table 1.1 below, shows that biodiversity projects were 37% of the active portfolio, with climate change at 33%.

[2] Recent approvals have brought the number of active projects up to 226 as per 1 December 2010.

Table 1.1: Focal Area Distribution of Active Projects (number of projects)

	MSP	FSP	Total
Biodiversity	18	56	74
Climate change	4	63	67
International waters	1	25	26
Land degradation	1	10	11
Multi-focal area	0	16	16
POPs	1	6	7
Total	25	176	201

Key events or trends for the FY10 portfolio include:

- Approval, by Bank Management, of 37 CEO-endorsed FSPs, as well as approval of 4 CEO-endorsed MSPs by Bank Country Management Units. In total, these approvals represent a GEF grant amount of US$246.19 million. The distribution of Bank Management project approvals, by region, is captured in Table 1.2.

Table 1.2. World Bank Management Approvals of GEF Activities/Region, in FY10

Region	Number of FSPs	Number of MSPs	US$ million
AFR	10	0	62.20
EAP	6	0	31.62
ECA	2	0	8.85
GLO	1	2	4.00
IFC	1	0	10.00
LCR	9	2	54.15
MNA	4	0	28.91
SAR	4	0	46.46
Total	**37**	**4**	**246.19**

- Thirty-five (35) projects, comprised of 28 FSPs and 7 MSPs, exited the effective portfolio by the end of the reporting year.
- Cancellation of 1 FSP that had advanced under preparation; cancellation of 2 planned FSPs; and the discontinuation of 3 PPGs.
- The average World Bank-GEF full-size project under implementation in FY10 was US $6.7 million. This marks a decline as compared to average project size of US$8.5 million in the portfolio prior to FY07.
- The share of MSPs within the portfolio also declined in FY10, given growing concerns with affordability to cover supervision requirements within the WBG cost structure.

MAINSTREAMING WITH WORLD BANK OPERATIONS

The mission of the WBG is to help countries alleviate poverty through sustainable economic development that balances economic development, social cohesion, and environmental protection. The World Bank's environmental vision is driven by the recognition that sustainable development, which balances economic development, social cohesion, and environmental protection, is fundamental to lasting poverty reduction.

Through its GEF portfolio, the Bank has helped countries develop projects designed to breathe life into the "triple bottom line" of sustainability: its economic, environmental and social aspects. In order to scale-up the impact of GEF-funded initiatives, the WBG has sought to integrate issues central to the global environmental agenda into our country partnership strategies and lending programs, and to increase short and long-term effectiveness by scaling up investments through an array of financing instruments. GEF resources have helped Bank clients to innovate and test new ideas that would have been more difficult to do with only loan resources.

The WBG's sector lending and knowledge services have increasingly addressed environmental issues. Overall, the share of total Bank commitments addressing environment and natural resources themes has grown from about 2% in FY02 to just over 11% in FY09, reaching US$5.5 billion in FY09.

The Bank has also made progress over time in mainstreaming GEF funds within WBG programs. However, it has become increasingly difficult to "fully" blend GEF with IBRD/IDA operations, that is, to process the different sources of funds as *one* operation in one approval package. During this reporting period, 33% of the 201 effective GEF projects were blended and co-financed by IBRD/IDA resources as compared to 42% in FY08. Earlier progress made in programming GEF resources within Country Assistance Strategies/Country Partnership Strategies has not been sustained, given uncertainties in GEF funds available to co-finance Bank country operations as agreed with our clients. Figures 1.5.a and 1.5.b provide information on the share of blended projects, by focal area and region.

Figure 1.5.a. Percentage of Blended Projects, by Focal Area

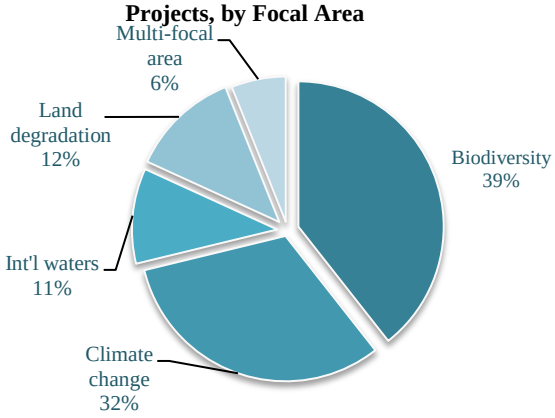
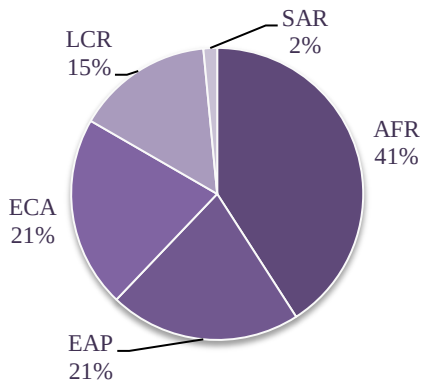


Figure 1.5.b. Percentage of Blended Projects, by Region



Fully blended Bank and GEF finance helps client countries make use of various available resources in order to promote efficient and effective programming at the national level. Combination of resources can maximize leverage from both public and private sources, exploit thematic synergies and reduce transaction costs, thereby reducing inefficiencies. Combining resources from various financing instruments can help create synergies leading to a greater impact and stimulation of larger transformational processes than if those resources are used separately.

In the climate change focal area, the World Bank Group "…has a [growing body of] experience in blending GEF resources with its regular instruments to steer the transformation of larger projects toward more climate-friendly outcomes"[3]. Blending resources from different climate-financing sources to build upon underlying development investments increases the scale and accelerates the pace of transformation to a low-carbon development path. Together, they can accelerate the pace of market transformation, and increase the scale of the eventual penetration

[3] Hosier, R., Kulicehenko N., Maheshwari A., Toba N. and Wang X.; *Beyond the Sum of Its Parts: Combining Financial Instruments for Impact and Efficiency*; The World Bank, 2010.

of new climate-friendly technologies in the market. The Bank has successfully spearheaded blending of GEF, the Climate Technology Fund (CTF) and carbon finance. In such cases, GEF funds are used early in the market's transformation to pilot innovative approaches and to help create an enabling environment of policy and regulatory frameworks; combined with CTF resources, which help support low-carbon infrastructure investments on favorable terms, thereby helping the market scale-up or move up the adoption of innovation curve toward maturity; and, carbon finance revenues, which can serve to improve the profitability of investments, especially those on the cusp of being financially attractive.

A prime example is the China Renewable Energy Scale-Up Project (CRESP), wherein GEF resources assisted the Government to create a mandated market policy with a feed-in tariff for renewable energy. Additional IBRD financing, plus carbon finance, pushed over the private sector's rate of return target, making the project sufficiently profitable to stand on its own. By combining its own resources with a GEF grant and carbon finance, the Government of China was able to create a sustainable policy environment that successfully led to rapid growth in the wind market, making it the fourth largest in the world at the end of 2008.

2. PORTFOLIO PERFORMANCE

In FY10 the World Bank's GEF portfolio continued to generate discernable impact to the strategic objectives of the overall GEF portfolio in all focal areas and regions. The 201 projects under implementation represent GEF funding of US$1.652 billion. Climate change represents 33% of the projects and 42% of the active grants in FY10. The share of multifocal area projects has grown from 6% to 9% during the reporting period (Figure 2.1.a).

Figure 2.1.a: Distribution of GEF Grant Amounts/ Focal Area for Active Projects

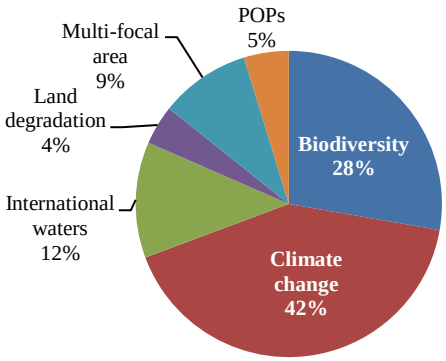
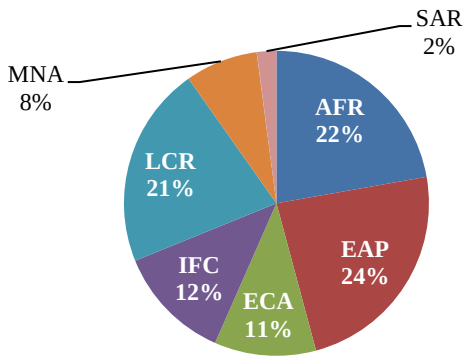


Figure 2.1.b: Distribution of GEF Grant Amounts/ Region for Active Projects



The GEF grant amounts are relatively evenly spread across regions for the period under review, with East Asia and the Pacific, Africa and Latin America and the Caribbean with 24%, 22% and 21%, respectively (Figure 2.1.b).

OVERALL PORTFOLIO PERFORMANCE

The Bank regions use a series of portfolio indicators to monitor the implementation status of projects. Projects are rated on the likelihood of attaining their development objectives (DO) as established in the Project Appraisal Document (PAD)[4]. The DO rating takes into account not only implementation progress, but also other factors

[4] Or as formally revised during implementation.

such as appropriateness of project design, unforeseeable adverse economic and financial developments, price fluctuations of project outputs, and changes in government policy. Implementation Progress (IP) ratings are based on an overall judgment of implementation performance in relation to the benchmarks outlined in the Project Appraisal Document, or as formally revised during implementation.

During the review period, 82% of World Bank-GEF projects received an overall satisfactory rating with respect to achievement of their Development Objective (DO). Implementation Progress generated overall satisfactory ratings for 79% of the portfolio. Overall, land degradation projects are performing the best, with 100% satisfactory DO ratings[5]. The Projects in the biodiversity and climate change focal areas area are also performing satisfactorily (84% and 89% respectively). More challenges are encountered under the POPs focal area, with relatively complex projects generating 55% satisfactory ratings, although this varies considerably by region. Tables 3a and 3b present overviews of overall performance ratings.

Table 2.1.a: Performance Ratings for Development Objective (DO), FY10 Portfolio/Region and Focal Area

	Biodiversity		Climate Change		International Waters		Land Degradation		POPs		Multi-Focal Area	
	Satisfactory Ratings	Unsatisfactory Ratings	Satisfactory Ratings	Unsatisfactory Ratings	Satisfactory Ratings	Unsatisfactory Ratings	Satisfactory Ratings	Unsatisfactory Ratings	Satisfactory Ratings	Unsatisfactory Ratings	Satisfactory Ratings	Unsatisfactory Ratings
Region	**% DO**	**% DO**	**% DO**	**%DO**	**% DO**	**%DO**	**% DO**	**%DO**	**% DO**	**%DO**	**% DO**	**%DO**
AFR	77	23	89	11	83	17	100	0	33	67	100	0
EAP	86	14	79	21	78	22	0	0	33	67	100	0
ECA	67	33	62	38	82	18	100	0	100	0	75	25
LCR	85	15	93	7	0	0	100	0	0	0	100	0
MNA	100	0	100	0	0	0	0	0	0	0	0	0
SAR	100	0	100	0	0	0	100	0	0	0	0	0
IFC	75	25	100	0	0	0	0	0	0	0	0	100
Global	n/a	n/a	0	0	0	0	0	0	0	0	0	0
Sub-Total	84	16	89	19	81	19	100	0	55	45	75	25

Table 2.1.b: Performance Ratings for Implementation Progress (IP), FY10 portfolio/Region and Focal Area

	Biodiversity		Climate Change		International Waters		Land Degradation		POPs		Multi-Focal Area	
	Satisfactory Ratings	Unsatisfactory Ratings	Satisfactory Ratings	Unsatisfactory Ratings	Satisfactory Ratings	Unsatisfactory Ratings	Satisfactory Ratings	Unsatisfactory Ratings	Satisfactory Ratings	Unsatisfactory Ratings	Satisfactory Ratings	Unsatisfactory Ratings
Region	**% IP**	**% IP**	**%IP**	**%IP**	**%IP**	**%IP**	**%IP**	**%IP**	**%IP**	**%IP**	**%IP**	**%IP**
AFR	65	35	100	0	83	17	100	0	33	67	67	33
EAP	86	14	74	26	78	22	0	0	33	67	67	33
ECA	67	33	62	38	82	18	100	0	100	0	75	25
LCR	85	15	93	7	0	0	100	0	0	0	100	0
MNA	67	33	80	20	0	0	0	0	0	0	0	0
SAR	100	0	100	0	0	0	100	0	0	0	0	0
IFC	100	0	90	10	0	0	0	0	0	0	100	100
Global	n/a	n/a	0	0	0	0	0	0	0	0	0	0
Sub-Total	81	19	86	14	81	19	100	0	55	45	82	38

[5] Satisfactory ratings are defined as MS and above (HS=Highly satisfactory, S=Satisfactory, MS=Moderately Satisfactory). Unsatisfactory ratings are defined as MU and below (MU= Moderately unsatisfactory, U=Unsatisfactory, HU=Highly unsatisfactory).

The performance of GEF projects have historically rated well as compared to the Bank's general lending portfolio. Currently, project performance has declined somewhat across the WBG, with 76 percent of closed projects rated moderately satisfactory or higher on achievement of objectives, compared with 78 percent for fiscal 2008 and more than 80 percent in 2005 and 2006. (Source: IEG Annual Report 2010).

Portfolio Risk Management

The World Bank's Operational Policies (OPs) establish the parameters for the conduct of Bank operations, and its Bank Procedures (BPs) explain how the policies set out in the Operational Policies are to be carried out. In essence, they spell out the procedures and documentation required to ensure Bank-wide consistency and quality.

Within this context, the World Bank's environmental and social safeguard policies are a cornerstone of its support to sustainable poverty reduction. The objective of these policies is to prevent and mitigate undue harm to people and their environment within the development process. Safeguard policies also provide a platform for the participation of stakeholders in project design, are an important instrument for building ownership among local populations, and are used to help identify opportunities for more proactive integration of environmental objectives in the project design.

Potential risks to the achievement of the development objectives, as well as compliance with safeguard requirements, are assessed at the project concept stage and re-assessed at later stages of preparation and regularly throughout implementation. Projects "at risk" include both actual and potential problem projects. Potential problem projects are those that, although rated as Moderately Satisfactory or better for both IP and DO, are affected by factors likely to bring about an eventual unsatisfactory outcome. These projects are identified by criteria ("flags") that take into account not only various aspects of actual implementation experience, but also other relevant factors such as economic management and past portfolio performance in the country. Potential problem projects are identified as projects exhibiting three or more of the following twelve risk "flags" for investment projects.

Legal Covenants	Project Management	Effectiveness Delay
Safeguards	Long-Term Risk	Disbursement Delay
Counterpart Funds	Financial Management	Country Environment
Monitoring and Evaluation	Procurement	Country Record

The status of projects at risk is generated by various ratings in the Implementation Status Report (ISR). Risk flags may be linked to aspects that are not directly related to the GEF project, and the GEF funded project may be performing fully satisfactorily.

In order to manage and mitigate risks from project concept to closing, World Bank-GEF project teams systematically draw on the Bank's Safeguards Policies and other Operational Policies and review systems. These policies underscore the need for establishment of clear project management structures and appropriate enabling environments, reinforce the need for multi-stakeholder participatory processes and sustained implementation support, and as necessary, encourage adaptive management.

In following up on risk flags, each team and project is monitored through a Proactivity Index, defined as the proportion of projects rated as problem projects twelve months earlier which have been upgraded, restructured, suspended, or partially or fully cancelled. Explanations regarding risk triggers by focal area, and specific management responses, are included in the relevant focal area overview sections and annexes further in this document.

The Portfolio at Risk data included in the Bank's AMR in previous years focused only on FSPs at risk and did not factor in MSPs that had received similar ratings. The data presented for this Fiscal Year now include MSPs that

triggered risk flags in FY09. Of the 57 projects with risk flags, 17 were MSPs (30%), a disproportionate ratio given the FSP/MSP distribution within the Bank's portfolio.

Table 2.2, below, highlights the risk ratings across the World Bank-GEF portfolio in FY10, presented by region and focal area. Factors that constituted risks to 66 projects within the World Bank-GEF portfolio in FY10 were similar to those identified in previous years and include:

- In most cases, risks are related to local capacity constraints. This includes 21 projects with Country Record risk that may be linked to Moderately Satisfactory Country Assistance Evaluation (CAE) ratings by IEG in the previous five fiscal years; 9 projects with country environment flags related to rating of the Country Policy and Institutional Assessment (CPIA); and, project management (13 projects) or financial management (6 projects) risk ratings. Political instability may force country specific disbursement freezes and suspension of in-country supervision missions for security reasons.

- Mobilization of co-financing, including lower than expected co-financing due to the ongoing adverse effects of the global financial crisis (4 projects), and delayed disbursement issues (19 projects).

- Other risks were limited for the GEF portfolio, such as safeguard issues, that were only noted for 2 projects, counterpart funds (4 projects) and, effectiveness delays (4 projects).

Project risk by region and focal area conceals important additional contextual and other factors. The small project numbers of some regions and focal areas are not statistically significant to draw clear conclusions. While the African region has the most projects classified at risk, it also has the most projects under implementation, so the overall AFR share of at-risk projects is a relatively low 19%. East Asia and the Pacific, ECA and LRC have higher shares of 27%, 32% and 26%, respectively.

Table 2.2. Projects 'At Risk'. By Region and Focal Area

Number of Projects Rated 'At Risk', by Region and Focal Area (FY08, FY09)

	AFR		EAP		ECA		LCR		MNA		SAR		IFC		TOTAL/ REGION	
FOCAL AREA	FY09	FY10	FY09	FY10	FY09	FY10	FY09	FY10	FY09	FY10	FY09	FY10	FY09	FY10	FY09	FY10
BD	4	11	0	3	4	4	1	9	1	0	1	0	2	1	13	28
CC	0	0	3	4	2	2	2	2	0	2	0	0	0	2	7	12
IW	1	1	1	1	1	3	0	0	0	0	0	0	0	0	3	5
LD	1	3	0	0	1	1	0	0	0	0	0	0	0	0	2	4
POPs	2	2	0	2	1	0	0	0	0	0	0	0	0	0	3	4
MFA	1	2	0	1	0	0	0	0	0	0	0	0	0	1	1	4
ALL FAs TOTAL	9	19	4	11	9	10	3	11	1	2	1	0	2	4	29	57

In the case of IFC, portfolio risk assessment reflects the private sector nature of its operations. As emerging markets have begun to recover from the 2008-09 global economic slowdown and credit markets have begun to ease, private sector interest and ability to address climate change and biodiversity through market-based solutions is beginning to recover, albeit somewhat slowly. For example, one of the projects with risk rating is the Environmental Business Finance Program (EBFP), because it was affected significantly by the global financial crisis which directly reduced the appetite of financial intermediaries to lend to SMEs. With the economic recovery process underway, this situation is gradually easing. However, the requirement of the GEF focal point

endorsement remains an impediment for the sub-projects funded by EBFP and has caused delays or stalling of the project. To mitigate this risk, IFC transaction leaders, together with the Financial Mechanism team are actively engagement with the GEF Focal Points early in the process to engage and sensitize them about the projects that IFC is developing with EBPF funding, to increase their awareness and be able to address any concerns the focal point may have upfront.

Future developments

Over the last years, the World Bank has launched major efforts to reform the Bank's investment lending model so that it responds better to borrowers' needs and a changing global environment. The new approach is built on five pillars and calls for more focus on results and risks; streamlined processing of low-risk operations, along with more attention to implementation support and higher risk investments; new instruments for results-based financing; and provision the tools and an enabling environment for teams to implement the reform.

A new Implementation Status and Results Report (ISR) template has been developed for Investment Lending Operations (as of July 5, 2010). The new ISR is designed to be a better management tool to communicate critical, action-oriented information on the WBG portfolio. Using a more user-friendly, interactive format based on the Bank's Operations Portal, the ISR will serve as the Bank's key internal reporting tool for the progress of project implementation. All projects under implementation will use the new ISR template in FY11.

The new ISR responds to the WBG's new Access to Information Policy, by making certain information on the implementation status of Bank projects publicly available. One of the key reasons for the new ISR is to improve monitoring and reporting on results and risks, and to support the implementation of the risk-based approach under Investment Lending Reform.

Historically, GEF-supported projects have been processed mainly as sector investment lending (IL). As of July 2010, project teams will use a new risk framework to assess every Bank investment loan during both preparation and implementation. Among other goals, the risk-based approach serves to better manage and mitigate risks and move away from a one-size-fits all model for investment lending. The differentiation will allow teams to allocate more time and effort to where results and risks take place, usually during implementation.

A central element to the new approach is the Operational Risk Assessment Framework (ORAF), a tool which helps task teams and managers look systematically and holistically at a project's risk, offering a common WBG-wide methodology. Over time, the Bank will also be able to assess the impact of risks to the overall portfolio, which will feed into overall strategy development and decisions regarding risks in the institution. These changes will be addressed in the next AMR (in FY2011) of the World Bank. The ORAF will assess and rate risks to the achievement of the project development objective(s) as related to Project Stakeholder Risks, Operating Environment Risks (Country and Institutional Risk); Implementing Agency Risks; Project Risks (Design, Social and Environmental Risks), Program and Donor Risk, Delivery Quality; and Other Risks.

PORTFOLIO PERFORMANCE BY FOCAL AREA

The following section illustrates the general status and trends of the World Bank Group GEF portfolio, by focal area, covering projects that were under implementation during FY10, including those that were completed during the period.

Climate Change

A total of 67 World Bank-GEF projects (63 FSPs and 4 MSPs) were effective during FY10 under the Climate Change focal area, with the largest proportion under implementation in the East Asia and Pacific and the Latin America and Caribbean regions. Twelve climate change projects were completed during FY10, and 2 underwent mid-term reviews. Performance indicators can be found in table 2.3.

Table 2.3. Climate Change Focal Area: GEF Co-financed Projects Under Implementation, By Region

Climate Change Focal Area								
					Satisfactory Ratings		Unsatisfactory Ratings	
Region	Number	Regional %	Completed FY10	Mid-term review FY10	% DO	%IP	%DO	%IP
AFR	9	13%	0	1	89	100	11	0
EAP	19	28%	2	1	79	74	21	26
ECA	8	12%	4	0	62	62	38	38
LCR	14	21%	4	0	93	93	7	7
MNA	5	7%	0	0	100	80	0	20
SAR	2	3%	1	0	100	100	0	0
IFC	10	15%	1	0	100	90	0	10
Global	0	0%	0	0	0	0	0	0
Sub-Total	67	100%	12	2	89	86	11	14

Contributions Towards Focal Area Strategic Priorities

The Bank's GEF portfolio continues to positively impact client countries efforts to address climate change. Efforts center primarily on mitigation, with a few pilot and demonstration activities underway in support of adaptation.

Projects within the Bank's portfolio promote work in the following sectors: renewable energy for the provision of off-grid energy services, as well as promotion of on-grid renewable energy; promotion of energy efficient technologies and practices with respect to appliances, buildings, and industrial production; market development of concentrating solar thermal power support provision of access to new low-GHG emitting energy technologies; and spearheading transport sector work which aims to facilitate market transformation for sustainable mobility in urban areas.

The distribution of GEF resources is concentrated mainly in three operational priority areas: renewable energy (RE), energy efficiency (EE), and new technologies. Figure 2.2 highlights the distribution share across the various sector based on approved GEF funding.

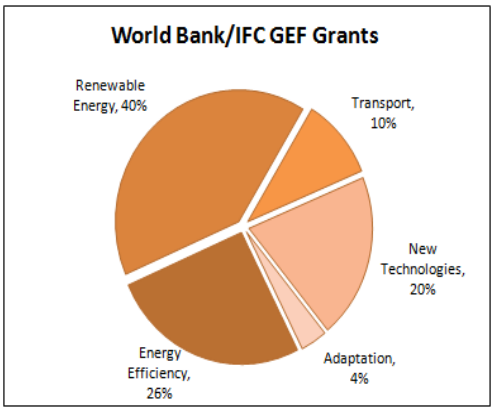


Figure 2.2: Distribution Share of GEF Grants by Sector

The leveraging potential of Bank-implemented GEF-financed climate change projects remains significant, averaging a leveraging ratio of 1:10 across operational priority areas (see Table 2.4, below).

Table 2.4. WBG-GEF CC Projects Leveraging Potential, by Operational Priority Area

Operational Priority (OP)	Nr. of Projects	GEF Grant ($m)	co-Financing ($m)	Leverage Factor
Energy Efficiency	18	190	2,662	1:14
Renewable Energy	33	295	2,382	1:8
Transport	6	74	1,208	1:16
New Technologies	4	149	1,111	1:7
Adaptation	6	26	56	1:2
Total	67	733	7,417	1:10

Outcomes and Implications for the Overall Portfolio

The WBG's GEF climate change portfolio is showing meaningful results, not only by demonstrating reductions in GHG emissions, but also by playing an important role in "mainstreaming" low-carbon development in the Bank's operations. Projects typically feature ways to mainstream reduction of GHG emissions into core energy sector investments, thus allowing the Bank to pilot new ideas and scale up its engagement in what has now become a very critical agenda for the Bank.

Projects within the WBG-GEF portfolio create enabling environments that allow related GEF investments to extend far beyond original expectations and drive potential for effective scale-up. This has played a significant role in client countries, stimulating low-carbon growth and reducing the growth in GHG emissions. For example:

- Within the Sub-Saharan Africa region, GEF financing has helped remove barriers to greater private sector investment uptake of climate friendly investments, which has provided a sound foundation to create the enabling environments necessary for successful market transformation and growth. This has been done by providing information on new opportunities, addressing financial risks (both perceived and real), and helping develop markets for certain technologies. A variety of more effective, targeted, intervention options are in evidence including, implementation of sustainable wood fuels supply and demand management and inter-fuel substitution schemes, and provision of solar PV systems to rural health clinics and households which address both environmental and social concerns.

- In the Middle East and North Africa, the Bank's experience shows that the potential for effective scale-up, when well choreographed and strategically linked, can lend significant support to the development of clean energy-solar energy, thereby adding much needed capacity to a country's power grid.

- At a more global level, a number of World Bank Group-GEF projects target the financial sector, where GEF funding is used to leverage EE and RE lending portfolios of financial institutions in developing countries and where, in most cases, a small amount of risk coverage provided by GEF funding allows these institutions to enter into new lines of RE and EE lending.

- Having recognized that the road to sustainable transport involves implementing good transport projects that simultaneously reduce GHG emissions and enhance multiple co-benefits, the World Bank has undertaken to work with developing countries to build an effective sustainable transport portfolio in partnership with the

GEF. In particular, the Bank has focused its efforts on two of the six areas targeted by the GEF: modal shift to more efficient, less-polluting forms of public passenger transport; and, non-motorized transport.

Progress of Projects that Received Poor Ratings in AMR 2009

Eight climate change projects in the WBG's portfolio received ratings of MU or below in AMR 2009: 1 in the African region; 3 in East Asia and the Pacific, 2 in Europe and Central Asia, and 2 in Latin America and the Caribbean. Of the eight, 2 saw activities related to both their development objective (DO) and implementation progress (IP) improve to moderately satisfactory (MS). The remainder continued to yield moderately unsatisfactory (MU) or unsatisfactory (U) ratings, as will be outlined in the section below. The table 2.5 below outlines the projects and the ratings received by the projects in FY10.

Table 2.5. FY10 DO and IP Ratings for Climate Change Projects with Poor Ratings in AMR FY 09

Region	Country	Project Title	DO rating (FY10)	IP rating (FY10)
AFR	Guinea	Decentralized Rural Electrification	U	MS
EAP	Kiribati	Adaptation Program Phase II - Pilot Implementation (KAP II)	MS	MS
EAP	Philippines	Electric Coopertive System Loss Reduction project	MU	U
EAP	Pacific Islands	Pacific Sustainable Energy Finance (PSEFP)	MU	MU
ECA	Poland	Energy Efficiency	MU	U
ECA	Macedonia, former	Sustainable Energy	MU	U
LCR	Caribbean	Implementation of Adaptation Measures	MU	MU
LCR	Guyana	Conservancy Adaptation Project	MS	MS

Ratings of MU or below are addressed with extra attention by WBG project teams through supervisory missions and targeted work with in-country counterparts to address the issues that impede achievement of development objectives and/or the pace of implementation. As is the case for projects under implementation in all focal areas, as necessary, project restructuring needs are addressed in order to seek achievement of intended goals.

Portfolio Risk and Risk Management

A total of 12 climate change projects received performance ratings of moderately unsatisfactory (MU) or below with respect to their development objective (DO) and/or implementation performance (IP) in FY10. A list of the projects that highlights the ratings received and the reasons for such ratings is contained in Annex A.

Biodiversity

A total of 74 World Bank-GEF projects were effective in FY10 under the biodiversity focal area, with the largest proportion in the Africa and Latin America and the Caribbean regions. A total of 15 projects were completed in FY10, and 7 underwent mid-term reviews, as highlighted in Table 2.6.

Table 2.6. Biodiversity Focal Area: GEF Co-financed Projects Under Implementation, By Region

Biodiversity Focal Area								
					Satisfactory Ratings		Unsatisfactory Rating	
Region	Number	Regional %	Completed FY10	Mid-term review FY10	% DO	% IP	% DO	% IP
AFR	26	35%	5	3	77	65	23	35
EAP	7	9%	1	1	86	86	14	14
ECA	6	8%	2	0	67	67	33	33
LCR	26	35%	2	3	85	85	15	15
MNA	3	4%	1	0	100	67	0	33
SAR	1	1%	1	0	100	100	0	0
IFC	4	5%	2	0	75	100	25	0
Global	1	1%	1	0	n/a	n/a	n/a	n/a
Sub-Total	74	100%	15	7	84	81	16	19

Contributions Towards Focal Area Strategic Priorities

In line with GEF-4 Strategic Objectives, the span of projects within the World Bank's global GEF biodiversity portfolio support:

- Strengthening protected area systems, conserving biological diversity of ecosystem habitats and promoting sustainable use and consumption;
- Improving biodiversity conservation and introducing more sustainable natural resource management;
- Promoting sound natural resource management and protecting natural habitats;
- Integrating biodiversity considerations into productive sectors, while increasing the area of productive landscapes contributing to biodiversity conservation and sustainable use;
- Securing ecological integrity to help restore natural ecosystems and improve overall land and water management;
- Building capacity in indigenous and local communities
- Developing eco-tourism opportunities;
- Strengthening policy and regulatory frameworks to mainstream biodiversity;
- Establishing integrated monitoring and participatory management systems to mitigate degradation to biological diversity;
- Supporting increased demand for products with more positive biodiversity impact; and
- Encouraging the development of financial services to support biodiversity-friendly practices.

An important consideration in the implementation of the Bank's biodiversity portfolio is the recognition that biodiversity is the common thread that links elements key to sustainable human development through inter alia, economic activities related to agriculture, forestry, fisheries, by reducing human vulnerability to natural hazards, contributing to mitigation and adaptation to climate change, and lending support to combat desertification and land degradation. Biodiversity conservation contributes not only to environmental sustainability: through recognition of the inter-linkages possible with other focal areas, addressing biodiversity-related issues can serve to expand the scope of project impact and generate the greatest environment and development results possible.

Outcomes and Implications for the Overall Portfolio

World Bank GEF operations in the biodiversity focal area cut across a variety of sectors and, as presented in section on mainstreaming, 39% of blended projects fall within this focal area. These factors present both opportunities and challenges. Alignment with client countries' poverty reduction strategies serve to encourage

participatory management and mainstreaming of biodiversity in productive landscapes, but can also raise the level of complexity of projects.

GEF grants under the Bank's biodiversity focal portfolio area are recognized as having been instrumental in assisting client countries to integrate conservation efforts into wider landscape approaches and community-based economic development. In all regions, the ecosystem approach helps align activities with national development priorities and objectives. This has served to encourage substantial improvements in client countries' natural resources management and planning activities, to help raise public awareness, which in turn opens the door to greater participatory processes, and improve institutional capacity, thereby helping to shape national and environmental management priorities.

Commonalities exist with respect to constraints faced within the portfolio. For one, in addition to environmental assessment and natural habitats safeguards, many biodiversity projects must address safeguard issues related to involuntary resettlement that are triggered due to the possibility for involuntary restrictions of access to legally designated parks and protected areas. The policy, which aims to minimize and mitigate adverse social and economic impacts, involves extensive consultations and participation of a displaced people in resettlement planning and implementation. It also requires that a Resettlement Action Plan be agreed upon and finalized during project implementation. Similarly, important issues of land tenure also often surface in biodiversity projects that seek to establish newly demarcated protected areas. In some cases projects have encountered squatters or poachers in protected areas.

Bank-implemented biodiversity projects contribute positively to implementation of National Biodiversity Strategic Action Plans in the countries in which they operate. Many projects have successfully established biodiversity conservation areas, created employment and developed eco-tourism opportunities which, in turn, serve to reduce poverty and improve the livelihood of communities. Bank-implemented projects have also served to strengthen conservation and sustain biodiversity in coastal and marine ecosystems by increasing and exceeding targets of terrestrial and marine protected area.

IFC-implemented biodiversity projects have yielded interesting results through projects that seek to create economic incentives to protect critical natural resources. Indeed, on such project, the Eco-enterprises project, which is highlighted in the Best Practices/Lessons Learned section below, can be considered a pioneer for its efforts in establishing an environmentally-conscious equity fund in Latin America.

Progress of Projects that Received Poor Ratings in AMR 2009

Thirteen projects in the Bank's GEF biodiversity portfolio received ratings of MU or below in the AMR 2009 of last year: 4 in the African region; 2 in East Asia and the Pacific, 4 in Europe and Central Asia, 1 in Latin America and the Caribbean, 1 in the Middle East and North Africa region, and 1 in South Asia. Of the thirteen projects in question, 8 saw activities related to their development objective (DO) or implementation progress (IP) improve to satisfactory (S) or moderately satisfactory (MS). Of these, 5 were fully upgraded to MS or S. Of the remaining projects, 4 continued to yield moderately unsatisfactory (MU) or unsatisfactory (U) ratings and one project was cancelled based on consistently unsatisfactory ratings. Table 2.7 outlines the projects and the ratings they received in FY10.

Table 2.7. FY10 DO and IP Ratings for Biodiversity Projects with Poor Ratings in AMR FY 09

Region	Country	Project Title	DO rating (FY10)	IP rating (FY10)
AFR	Nigeria	Fadama 2 Critical Ecosystems Management	MS	MS
AFR	Benin	GEF Forests and Adjacent land management	MS	U
AFR	Mali	GEF Gourma BD SIL	MU	MU
AFR	Guinea	GEF Coastal Marine & Biodiversity Management	S	S
ECA	Azerbaijan	Rural Environment	MU	U
ECA	Serbia	Transitional Agriculture Reform	S	MS
ECA	Albania	Butrint National Park: BD & Global Heritage	MS	MS
ECA	Bulgaria	Lake Pomorie Conservation	MU	MU
IFC	Indonesia	Komodo Collaborative Management Initiative	MU	MS
LCR	Central America	6C GEF Corazon Transboundary Reserve	MU	U
MNA	Jordan	Conservation of Medicinal/Herbal Pl	MS	MU
SAR	Pakistan	Protected Areas Management Project	MS	MS
IFC	Philippines/ Indonesia	Marine Aquarium Market Transformation Initiative (MAMTI)	Cancelled 10/31/2008; U rating @ completion	Cancelled 10/31/2008; U rating @ completion

To address ratings of MU or below, Bank project teams work with in-country counterparts to address issues that impede the pace of implementation, promote enhanced counterpart support for a project, ensure effective national project management through engagement of qualified and experienced local staff and address impediments to mobilization of co-financing commitments. As necessary, project restructuring needs are addressed and support is provided to help leverage the resources required from counterparts.

Despite receiving ratings of MU or below, projects often nevertheless contribute some positive results. An example is the Philippines/Indonesia Marine Aquarium Market Transformation Initiative (MAMTI) project, included in Table 2.7. While the overall progress of the project was constrained primarily by management conflicts, inefficient mobilization of project resources and an implementation strategy based on incorrect assumptions which resulted in project cancellation, MAMTI demonstrated positive impacts with respect to local socio-economic issues. For one, it provided a solution to a number of neglected supply issues in the fishing industry through the development of a community-based model to improve the business performance of small operators. As a result, the capacity of fish collectors and traders improved which in practice translates into better fishing techniques and quotas being applied. In addition, access to micro-credit facilities have become available and management of the marine resources is being conducted in a more sustainable manner. The livelihood of the fishing communities has improved, fish mortality has decreased and fishermen now catch only what is needed. The long-term sustainability of these activities is considered viable and this community-based model could be "franchised" to other areas of the participating countries.

Portfolio Risk and Risk Management

A total of 17 biodiversity projects received poor performance ratings with respect to their development objective (DO) and/or implementation performance (IP). Such ratings are triggered by country record flags; challenges in capacity or securing senior level Government support especially related to disbursement; lack of counterpart financing; constraints in coordination with a parent project; political instability; and challenges posed by national economic development. A list of the projects that highlight the ratings received and the reasons for such ratings is contained in Annex B.

International Waters

A total of 26 World Bank-GEF projects were effective during FY10 under the International Waters focal area in three of the Bank's regions: Africa (Sub-Saharan), Europe and Central Asia, and East Asia and the Pacific. A total of 3 projects were completed during FY10, and 1 mid-term review was undertaken (see ratings in table 2.8).

Table 2.8. International Waters Focal Area: GEF Co-financed Projects Under Implementation, By Region

International Waters Focal Area								
					Satisfactory Ratings		Unsatisfactory Ratings	
Region	Number	Regional %	Completed FY10	Mid-term review FY10	% DO	%IP	%DO	%IP
AFR	6	23%	1	0	83	83	17	17
EAP	9	35%	1	0	78	78	22	22
ECA	11	42%	1	1	82	82	18	18
LCR	0	0%	0	0	0	0	0	0
MNA	0	0%	0	0	0	0	0	0
SAR	0	0%	0	0	0	0	0	0
IFC	0	0%	0	0	0	0	0	0
Global	0	0%	0	0	0	0	0	0
Sub-Total	26	100%	3	1	81	81	19	19

Contributions Towards Focal Area Strategic Priorities

World Bank-GEF projects in the International Waters focal area articulate GEF strategic priorities by promoting regional, cross-border cooperation, fostering investment and multi-state cooperation, bolstering institutions' management capacity, raising awareness, and initiating multinational efforts in areas where individual country action alone will not suffice. Regional cooperation, which can sometimes create challenges for implementation, is a factor that, in the Bank's experience under this focal area, has contributed to success. In addition, the active involvement of local communities, NGOs, and local and national governments, all of serve to lend a strong sense of commitment and local ownership.

Outcomes and Implications for the Overall Portfolio

Three IW projects were completed in FY10: one in the African region; 1 in the Europe and Central Asian region; and, one in Latin America and the Caribbean, as highlighted below:

- The *Nile Basin Initiative Shared Vision Program*, in which Burundi, DR Congo, Egypt, Ethiopia, Kenya, Rwanda, Sudan, Tanzania and Uganda were participating countries, made a number of significant contributions towards building trust at the technical through development of networks and partnerships including, the Nile Basin University Forum, the Nile Media Network, and networks of parliamentarians, women and NGOs. This served to improve skills, knowledge and data exchange, and contributed to narrowing the imbalances in technical knowledge between the players. The project also contributed to establishing an important enabling environment for investment in the Nile basin countries by promoting the formulation of templates and guidelines for policy alignments, including water resource management policies, advancing environmental policy on impact assessment, wetlands, biodiversity, water quality, and institutional frameworks for regional power trade. These improvements, together with the growing trust and confidence in cooperation, paved the way for the riparians to collaborate on trans-boundary investments. To date, the portfolio in the Nile Basin holds over US$1.3 billion of investments under implementation and preparation. These projects cover power generation and trans-boundary trade,

irrigation and drainage, watershed management, natural resource management, and flood control and preparedness.

- The *Targeted Research for Coral Reefs* project has fostered collaboration in the scientific community, built local research capacity, filled many gaps in current knowledge, disseminated important research findings, influenced policy debate, provided valuable analytical and planning tools, and helped created linkages between scientific researchers, local and international stakeholders, and policymakers. The quality of the science generated is excellent, and the project has fostered a vibrant discussion in the scientific community on how to sharpen the relevance, impacts, and practical application of coral reef research, as well as collaboration between institutions and the inclusion of different kinds of stakeholders to achieve progress not only on scientific understanding but also on coral reef management, restoration, and conservation. This engagement and the lessons learned going forward are some of the least quantifiable but most critical outcomes of the project. For the communication of good science that demonstrates the full range of impacts to the economy and human welfare that can result from the degradation of coral reef ecosystems and their services, serves to better engage decision-makers within the context of a range of issues including, climate change, biodiversity conservation, food security, livelihoods and environmental security.

- Moldova's *Agricultural Pollution Control* project sought to significantly increase the use of mitigation measures by agro-industry and farmers to reduce the discharge of nutrients and other agricultural pollutants into the surface and ground water bodies in the country. Specific focus lay on the Danube River and Black Sea through interventions in a pilot watershed area in collaboration with agro-industry and farmers. A review of project achievements against key performance indicators reveal that the project's global environmental objective was achieved. In particular, awareness among farmers and the general public was increased from the baseline of 4% to 58% in the pilot area; 100 RISP borrowers—private farms and agro-processors - adopted nutrient-reducing technologies; and, three villages are operating communal manure platforms in cooperation with more than 668 households, 218 of which built platforms using their own funds. In addition, 3 villages outside the project pilot area built communal platforms using their own funds and project-promoted designs. The project-end social survey indicated that manure disposal behavior changed significantly. Taken together, these indicators suggest sustainable reduction of nutrient discharges from farms and agro-processors.

Progress of Projects that Received Poor Ratings in AMR 2009

Three IW projects in the Bank's portfolio received ratings of MU or below in AMR 2009: 1 in the African region, 1 in East Asia and the Pacific and 1 in Europe and Central Asia. Two saw activities related to both their development objective (DO) and implementation progress (IP) improve to moderately satisfactory (MS) and above. The third project, the Marine Electronic Highway project in Indonesia, received a MU rating with respect to its implementation performance in FY10. An explanation of the reasons associated with this rating is contained in the annex to the section below. Table 2.9, outlines the projects and the ratings received by the projects in FY10.

Table 2.9. FY10 DO and IP Ratings for International Waters Projects with Poor Ratings in AMR FY 09

Region	Country	Project Title	DO Rating (FY10)	IP Rating (FY10)
AFR	Africa	Southwest Indian Ocean Fisheries	MS	MS
EAP	Indonesia	Marine Electronic Highway project	MS	MU
ECA	Moldova	Agricultural Pollution Control	HS	S

Portfolio Risk and Risk Management

A total of 7 international waters projects received performance ratings of moderately unsatisfactory (MU) or below with respect to their development objective (DO) and/or implementation performance (IP) in FY10. A list of the projects that highlights the ratings received and the reasons for such ratings is contained in Annex C.

Land Degradation

A total of 11 World Bank-GEF projects were effective during FY10 under the land degradation focal area, the largest proportion of which was under implementation in the African region. One project was completed during FY10, and 4 underwent mid-term reviews. See overview in table 2.10.

Table 2.10. Land Degradation Focal Area: GEF Co-financed Projects Under Implementation, By Region

Land Degradation Focal Area								
					Satisfactory Ratings		Unsatisfactory Ratings	
Region	Number	Regional %	Completed FY10	Mid-term review FY10	% DO	%IP	%DO	%IP
AFR	7	64%	0	2	100	100	0	0
EAP	0	0%	0	0	0	0	0	0
ECA	2	18%	0	0	100	100	0	0
LCR	1	9%	0	0	100	100	0	0
MNA	0	0%	0	0	0	0	0	0
SAR	1	9%	0	0	100	100	0	0
IFC	0	0%	0	0	0	0	0	0
Global	0	0%	0	0	0	0	0	0
Sub-Total	11	100%	0	2	100	100	0	0

Contributions Towards Focal Area Strategic Priorities

Projects in the World Bank's land degradation portfolio strive to reduce and prevent its occurrence and impacts. Bank interventions in support of the reduction and prevention of land degradation pursue a wide range of land management activities including adoption of strategic land planning systems, sustainable agricultural practices, and sustainable rangeland management. In addition, significant efforts are made to mainstreaming sustainable land management approaches at the national level into relevant NRM policies.

The Burundi *Agricultural Rehabilitation and Support* project, developed under GEF3, is fully blended with IDA resources. GEF financing supports investment and capacity building to stabilize soil loss, reduce sediment accumulation, and provide incremental resources for sustainable land management and improvements in land cover, while IDA resources focus on increasing agricultural production in a sustainable manner. The project contributes to the focal area strategic priorities by bringing long-term benefits for sustainable agriculture together with other global benefits, including maintenance and prevention of natural habitat loss, thereby contributing to conservation of on-farm and wetland biodiversity, maintenance of the environment services provided by the wetlands, and storage of carbon in forest and wetland sinks.

Similarly, the *Sustainable Agro-pastoral and Land Management* project in Cameroon focuses on integrated land-use planning, primarily at the local level – through communities and communes - and through extension of support to strengthen participatory institutional mechanisms and capacity for integrated land-use planning and implementation at the national level. The expected global environmental benefits at project end include a decrease in biodiversity loss in the fragile agro-sylvo-pastoral ecosystems, rehabilitation of selected degraded lands,

reduction of soil erosion, an increase of vegetative cover, and a reappearance of endangered species within the project intervention areas.

Outcomes and Implications for the Overall Portfolio

The Bank's land degradation portfolio performed well FY10, registering no projects with unsatisfactory ratings. In the African region, the GEF-financed land degradation portfolio has typically aimed at reducing and preventing land degradation and its impacts, specifically deforestation and desertification, in line with national government strategies and policies. In the case of Niger's *Community Action Program*, the project is catalyzing a paradigm shift towards an approach that complements the economic and social dimensions of the country's rural development strategy and local development plans, by increasing increased focus on SLM and enhancing local community welfare through provision of ecosystem services.

The countries of Sub-Saharan Africa are considered among the world's "hot spots" in terms of land degradation. In many cases, the Bank's GEF land degradation portfolio has been instrumental in providing assistance to activities which were designed as pilot projects to encourage future replication and fostering the scale- up of good practices in SLM. The idea of sustaining agro-ecosystems while enabling local producer organizations to farm more efficiently is one holistic approach to land degradation taken in a project that remains highly successful throughout its several years of implementation, the Burundi Agricultural Rehabilitation and Support project. In addition, Nigeria's Fadama 2 Critical Ecosystem Management project is achieving success in establishing a system for sustainable land, ground water management and reservoir management in the Fadama area, as well as establishing and implementing a management plan for Ogut Lake.

In South Asia, the Bhutan Sustainable Land Management project has made significant contribution towards the achievement towards achieving SLM impacts. Over 30% of the farmers in the pilot areas are applying SLM practices, with over 3,300 acres of shifting cultivation lands changed to permanent cropping, over 2,500 acres of degraded forest lands regenerated and over 35 land management conflicts adequately resolved. The project has achieved tangible results in terms of demonstrating that mainstreaming of SLM approaches at the local level holds scope for improving the productivity of lands and reducing land degradation.

One key commonality that has surfaced in terms of presenting constraints in achieving project objectives, is the lack of scientific consensus on the biophysical indicators needed to track progress of the global environment impacts, soil carbon being a good example. The case of small stakeholder systems, where some defined indicators contributing to the strategic programs and priorities are be occasionally found to be too broad for smaller scale project activities, can sometimes negatively impact project ratings.

Progress of Projects that Received Poor Ratings in AMR 2009

Two projects in the Bank's land degradation portfolio received unsatisfactory ratings below in AMR FY09: 1 in Africa and 1 in Europe and Central Asia. Table 2.11 outlines the projects and the ratings received by the projects in FY10. Both activities saw improvement in either their development objective (DO) and implementation progress (IP), or both, to moderately satisfactory (MS). In the case of Kazakhstan, performance rating improvements were the result of a project restructuring exercise. In Guinea, the project's IP rating continued to be rated MU due to the ongoing political situation in-country which has frozen project activities since December 2008. The reasons associated with this rating are further highlighted in Annex B, which highlights biodiversity project ratings.

Table 2.11. FY10 DO and IP ratings for Land Degradation projects with poor rating in AMR FY 09

Region	Country	Project Title	DO rating (FY10)	IP rating (FY10)
AFR	Guinea	Community-Based Land Management	MS	MU
ECA	Kazakhstan	Forestry project	MS	MS

Portfolio Risk and Risk Management

No projects in the Bank's land degradation portfolio received unsatisfactory ratings in FY10.

Multi-focal Area Projects

A total of 15 projects addressing multi-focal area concerns – biodiversity, land degradation and international waters - were under implementation during FY10, of which 4 came to completion. See table 2.12.

Table 2.12. Multi-Focal Areas: GEF Co-financed Projects Under Implementation, By Region

Multi Focal Area								
					Satisfactory Ratings		Unsatisfactory Ratings	
Region	Number	Regional %	Completed FY10	Mid-term review FY10	% DO	%IP	%DO	%IP
AFR	6	40%	1	0	100	67	0	33
EAP	3	20%	1	0	100	67	0	33
ECA	4	27%	2	0	75	75	25	25
LCR	1	7%	0	0	100	100	0	0
MNA	0	0%	0	0	0	0	0	0
SAR	0	0%	0	0	0	0	0	0
IFC	1	7%	0	0	0	100	100	100
Global	0	0%	0	0	0	0	0	0
Sub-Total	15	100%	4	0	75	82	25	38

Four of the projects, which touch upon the biodiversity, international waters and land degradation focal areas to varying degrees, received performance ratings of moderately unsatisfactory (MU) with respect to their development objective (DO) and/or implementation performance (IP) in FY10. The projects, the ratings they received, and the reasons for such ratings, are outlined in Annex D.

Persistent Organic Pollutants (POPs)

A total of 7 World Bank-GEF projects were effective during FY10 under the POPs focal area, 3 in the African region, 3 in East Asia and the Pacific, and 1 in Europe and Central Asia. One project was completed during the period in question, and 5 underwent mid-term reviews. See table 2.13.

Table 2.13. POPs Focal Area: GEF Co-financed Projects Under Implementation, By Region

POPs Focal Area								
					Satisfactory Ratings		Unsatisfactory Ratings	
Region	Number	Regional %	Completed FY10	Mid-term review FY10	% DO	%IP	%DO	%IP
AFR	3	43%	0	3	33	33	67	67
EAP	3	43%	1	2	33	33	67	67
ECA	1	14%	0	0	100	100	0	0
LCR	0	0%	0	0	0	0	0	0
MNA	0	0%	0	0	0	0	0	0
SAR	0	0%	0	0	0	0	0	0
IFC	0	0%	0	0	0	0	0	0
Global	0	0%	0	0	0	0	0	0
Sub-Total	7	100%	1	5	55	55	45	45

Contributions Towards Focal Area Strategic Priorities

POPs issues cut across many sectors in which the World Bank is involved including energy, mining, industry, solid waste management, agriculture and transportation. It is therefore able to assist countries to strive for synergies at the sector level, as they seek to comply with obligations under the Stockholm Convention.

Outcomes and Implications for the Overall Portfolio

The Bank's projects under implementation are fully aligned with the GEF strategy and objectives for POPs, and are making valuable contributions towards these objectives. Projects are underway to destroy, in an environmentally sound manner, obsolete pesticides including POPs, and to destroy PCB and PCB contaminated wastes. At the same time, these projects are building capacity so that regulation and enforcement are in place, and contributing to the GEF's strategy for sound chemicals management.

Some of these projects are also piloting POPs destruction techniques in the developing country context to improve cost-effectiveness, as well as the prospects for long-term sustainability for chemicals management in these countries. Still others are addressing the use of POPs, and demonstrating alternatives so that POPs use and production can be sustainably phased out.

Progress of Projects that Received Poor Ratings in AMR 2009

Two projects in the Bank's POPs portfolio received ratings below satisfactory in AMR FY09: 1 in Africa and 1 in Europe and Central Asia. Table 2.14, below, outlines the projects and the ratings received by the projects in FY10. While the Moldova project's ratings increased in both the development objective (DO) and implementation progress (IP) categories following significant improvements in the implementation of activities under the project component aimed at strengthening the country's regulatory framework for POPs management, the Africa Stockpiles Program's ratings remained moderately unsatisfactory.

Table 2.14. FY10 DO and IP Ratings for POPs Projects with Poor Ratings in AMR FY 09

Region	Country	Project Title	DO rating (FY10)	IP rating (FY10)
AFR	Africa	Arica Stockpiles Program	MU	MU
ECA	Moldova	POPs Stockpiles Management and Destruction	MS	S

Portfolio Risk and Risk Management

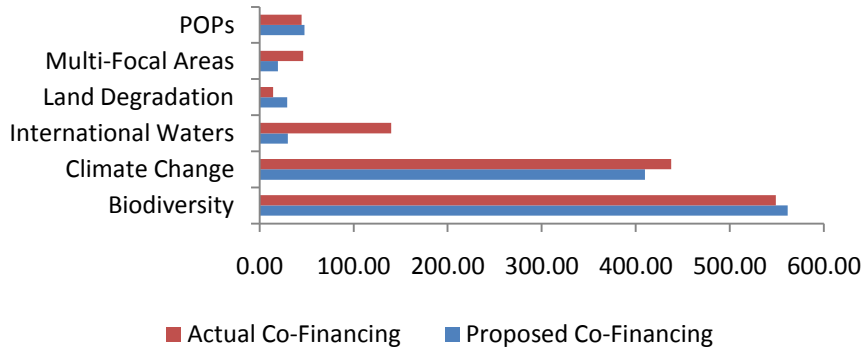
Three POPs projects received performance ratings of moderately unsatisfactory (MU) or below with respect to their development objective (DO) and/or implementation performance (IP) in FY10. A list of the projects that highlights the ratings received and the reasons for such ratings is contained in Annex E.

3. CO-FINANCING

The co-financing leveraging potential associated with the World Bank's cumulative portfolio has, historically, been impressive: through FY10, additional public and private funding of US$27.2 billion - of which US$8.9 billion from IBRD/IDA and US$18.3 billion from other sources – has been mobilized, demonstrating average leveraging potential of 1:6.

Total resources mobilized from both public and private sources surpassed the overall target of US$1.1 billion at the mid-term and completion of projects in the portfolio. An overview of the spread between proposed and actual co-financing mobilized, with variances by focal area, is presented in Figure 3.1.

Figure 3.1. Annual co-financing Realized vs. Proposed Co-financing Targets (in $US M)



Based on original estimates at the time of project approval, cofinancing data are analyzed through annual or mid-term review, and upon completion. World Bank-GEF portfolio co-financing data for FY10 reveals that overall, 57% of Bank-GEF projects are surpassing their projected co-financing targets. Analysis conducted on remaining projects, indicates that 39% of projects are projected to be on-track to meet their co-financing requirements.

4. LESSONS LEARNED / BEST PRACTICES

During FY10, the World Bank began working to revise and update its 2001 Environment Strategy, building on lessons learned through its operations, including those GEF-funded, over the last decade and taking into account global developments in environmental thinking in key strategic areas. The development of the new World Bank

Environment Strategy 2010 effectively serves as an internal, in-depth review of lessons learned and best practices, informed by analysis on a number of key topics:

- Review of environmental "mainstreaming" efforts assess the extent to which environmental concerns are fully internalized into World Bank activities, the impact of environmental content in sector and economic activities supported by the institution and the degree to which this assistance has made a difference in client countries' own environmental mainstreaming efforts.

- An examination of "environmental sustainability" seeks to understand to what extent the incorporation of environmental risk considerations is being, or could be, improved in the design and implementation of Bank operations that support investments, policy reforms and technical assistance, in order that Bank activities can proactively yield more positive environmental benefits. The issue of monitoring environmental sustainability is also tackled in order to best understand how macro level indicators have supported strategy and lending on environmental issues.

- Reviewing the role that the World Bank should play in strengthening environmental institutions and governance, recognizing that to date the chief point of entry for Bank operations has been government ministries and, secondarily, civil society organizations, where the focus has tended to emphasize strengthening environmental institutions' ability to detect signals regarding environmental problems and formulate and enforce balanced policy responses. Ensuring that the environmental institutions are being held accountable by strengthening civil society organizations and oversight institutions has received relatively less focus, but may be an area of future engagement for the WBG. From a governance perspective, critical gender issues related to women's economic and governance roles in rural and urban areas are also considered, particularly with respect to internal and external challenges that arise in harmonizing gender and environmental mainstreaming in projects.

- Increase the understanding on how biodiversity considerations are incorporated in the operations a multilateral development bank and how the World Bank Group can enhance the role of biodiversity and ecosystems protection and management as a key ingredient to reach development sustainability. And, on a related theme, the valuation of ecosystem services is recognized as critical to analytical and operational work, something that the Bank must ensure be properly undertaken, as relevant.

- The issue of environmental financing is also thoroughly addressed through analysis of a number of financing mechanisms considered as most relevant to financing environmental investments for the World Bank group.

Several lessons from the GEF portfolio have influenced the above studies and served to inform the Bank's strategic review and vision forward. There are excellent opportunities to implement the Bank's Environment Strategy, with lessons learnt from the above studies, while dovetailing with the GEF's learning objectives. This can also inform the new GEF knowledge management strategy.

The corporate learning objectives (CLO) for GEF-5 were of course developed after most of the projects under implementation were designed, and therefore are not underpinned by systematic mechanisms to track their progress. Nevertheless, some corporate learning objectives clearly relate to activities in the WBG's ongoing portfolio. Corporate learning objective 1 (CLO1), "Enhancing social impact through the improved understanding of the casual relationship between environment management and local community welfare" is relevant to much of the Bank's biodiversity portfolio. In fact, achievement of project objectives related to local community welfare, positive social impact and local economic and other benefits are, in general, supported by the Bank-funded elements of projects blended with GEF resources, while GEF funds finance the incremental part for the global environment. For CLO2, "Enhancing the catalytic effect of GEF financing with the aim of: identifying, scaling up and replicating best practices, improving the science evidence base to develop projects, strategies and policies,

and capturing learning from demonstrations across focal areas", activities under the climate change focal area are particularly relevant.

4.1 Climate Change : Mitigation and Adaptation

The GEF portfolio of the Bank continues to contribute positive impact on climate change mitigation and, to a lesser degree, adaptation, while also yielding valuable lessons and best practices. Overall, Bank projects are considered to be instrumental in leveraging additional financing and catalyzing support to improve the efficiency of energy use, the scope of renewable energy generation, and the advancement of low-carbon technologies and transport.

As part of the project monitoring process undertaken during FY10, Bank project team leaders were asked to provide an assessment of project implementation progress in the following areas: policy and regulatory framework development; use of financial instruments; and, capacity building. Results of the assessment indicate that access to innovative financing and technical assistance to enhance capacity building gain good traction in implementation and overall, act as positive drivers; policy and regulatory work, though recognized to be essential, present greater challenges that can lead to delays in implementation and overall project effectiveness. Figures 4.1.a, 4.1.b and 4.1.c present the findings of the assessment, followed by a sampling of projects that have generated, or are generating, lessons and best practices.

Figure 4.1.a . Results: Access to Innovative Financing

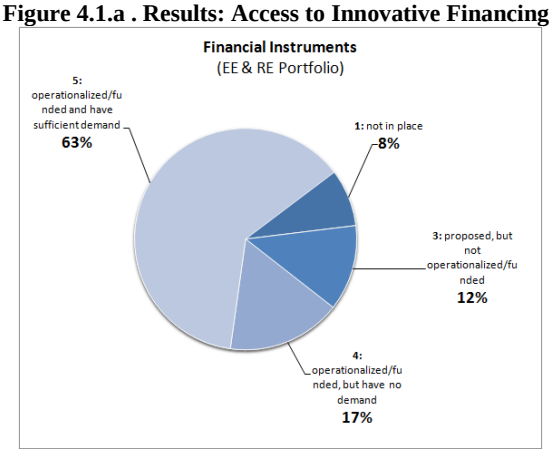


Figure 4.1.b. Results: Capacity Building for EE & RE

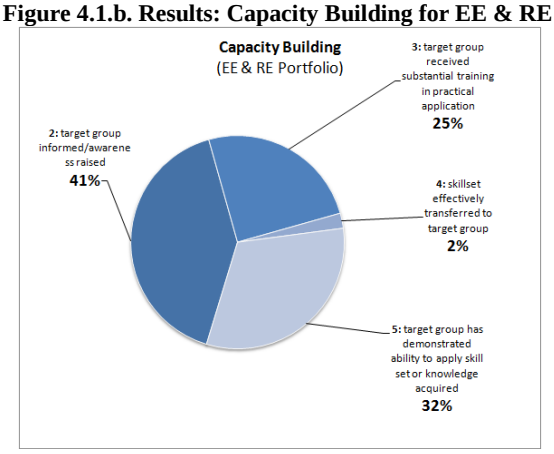
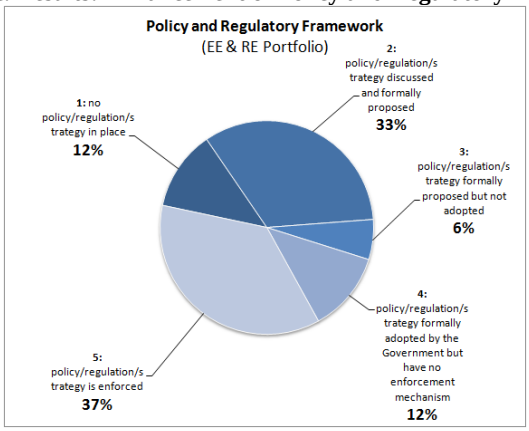


Figure 4.1.c. Results: Enhancement of Policy and Regulatory Frameworks



Expanding Access

The IFC-World Bank Joint Venture *Lighting Africa*, though in its early stages of implementation, has already begun to generate compelling results. The project aims to create a private sector-based, self- sustaining market for modern and affordable off-grid lighting products that will directly benefit very low-income households and small businesses. While market penetration remains low at this stage relative to kerosene lighting, the off-grid lighting market has shown marked growth since the launch of the program. Using GEF funding, the program provides direct support through ongoing business facilitation services, including securing access to finance, and product testing and improvement services. The table below highlights the projects key indicators and cumulative results to date.

Table 4.1.1: Lighting Africa Key Indicators, as of June 30, 2010

Impact Indicator	Target	Target Timeline	Cumulative Results to Date
Number of Lighting Africa approved products sold	200,000	Project completion	112,000
Value of financing facilitated (US$)	3,000,000	Project completion	11,452,000
Number of people receiving access to improved services (real/nonfinancial sectors)	500,000	Project completion	560,000

It is clear that the project is helping create a market for low-cost, clean and reliable lighting products. In 2008 there were fewer than 8 off-grid lighting products available on African retail shelves whereas today, there are more than 71 products, manufactured by 32 companies, of which Lighting Africa has established cooperative working relationships with 25 (75%).

The program has developed a web-based platform (www.lightingafrica.org) which receives approximately 175,000 page views per month. In addition to knowledge sharing and information dissemination, the web portal also serves as a central hub to aggregate industry players, fosters the formation of B2B linkages, and cultivates collaboration across the industry.

Additionally, in May 2010, Lighting Africa held the 2010 Business Conference and Trade Fair in Nairobi, Kenya in order to share lessons and to develop market awareness. The event attracted more than 614 participants and received an 85% high satisfaction rating.

The Lighting Africa program will continue to roll out consumer education campaigns, formalize relationships and establish agreements with key member companies, and develop plans for potential expansion of the program to other regions. Lighting Africa has been the recipient of an IFC Corporate Award in FY10, and it has been mentioned in external publications such as the New York Times and the Economist.

Another example drawn from the Africa region is the *Senegal Electricity Services for Rural Areas,* project. Structured in three phases, the project is introducing renewable forms of energy into the country in order to reduce deforestation, which is among Senegal's most pressing environmental problems. Currently in its second phase, it is making use of a GEF grant, blended with an IDA project, to drive innovation for provision of a first set of electricity connections through concessions, including connections from renewable sources such as solar. Concessions are defined as "competitive renewable energy subsidy mechanisms" that will improve the efficiency of the use of the GEF cost subsidy by capping the subsidy per Watt peak to a maximum.

At present, a fifth concession has been completed, and prequalification for a sixth concession is underway. The project has allowed GEF financing to bring about more efficient energy technology to small and medium-sized businesses, where the need is the greatest, that is to say, where the demand for energy has devastated forests. Improved lamps, stoves, and carbonization methods are now being used and other clean technologies are being

promoted. The project is working in concert with local populations, promoting community-based wood fuels management programs in peri-urban and urban areas based on the recognition that community-based initiative and buy-in are vital to success.

Promoting Sustainable Energy Finance

The Russia Sustainable Energy Finance Program (RSEFP), a joint investment by the IFC and the GEF, provides technical assistance to Russian financial institutions with the aim of enhancing their awareness of the financial viability of energy efficiency (EE) projects and improving the risk profile of clients through reduction of operating costs. In essence, the project works with participating financial institutions to "deepen" Russian EE markets and make long term capital available for investment to SMEs. The table below outlines the key impact indicators for RSEFP to date:

Table 4.1.2: Russia Sustainable Energy Finance Program Key Indicators, as of June 30, 2010

Impact Indicator	Target	Target Timeline	Cumulative Results to Date
Value of financing facilitated (US$)	30,000,000	Project completion	147,654,853
GHG emissions expected to be avoided (metric tons/ year)	580,000	Project completion	361,950
Estimated annual energy savings (MWh/year)	1,700,000	Project completion	1,272,477

As Table 4.1.2 outlines the program is currently exceeding projected targets. To date eleven partner Financial Institutions have financed 154 projects, and a new US $20 million dedicated sustainable energy finance credit line is set to be in July 2010 for disbursement to the Credit Bank of Moscow. It is expected that this loan will lead to 85,000 MWh of annual primary energy savings and annual reduction of 18,500 tons of GHG emissions.

The program also draws success from its outreach activities. In FY10, RSEFP experts participated in public awareness seminars in St. Petersburg and Volgograd organized by partner financial institutions.
In addition, the results of the RSEFP were presented at three third-party public information events in Moscow and St. Petersburg organized by The Adam Smith Conferences, The American Chamber of Commerce and the Progress Training Center, where the focus was promotion of sustainable energy finance and the financial benefits of EE projects. RSEFP experts also participated in a series of events organized by other sustainable energy finance programs in Lebanon, Jordan, Vietnam, Armenia and Ukraine, attended by over 300 representatives of the banking sector, government, project developers, and technical experts. These events targeted the promotion of the banking sector's role in reducing the effects of climate change.

Some specific lessons include:

- Although government incentives or requirements to industry for EE may not be robust, motivation for companies to adopt EE practices comes mainly from cost-reduction and competition pressures.
- Widely-targeted dissemination activities and materials do help increase awareness on EE, raise the visibility of the program, and create interest among financial intermediaries.
- Technical assistance and advisory services to financial intermediaries has proved useful, if not crucial, in building their familiarity and confidence with EE lending practices.
- Strengthening the capacity of local energy service companies (ESCOs) is likely to be a key factor in meeting the project's objectives, since there is a great deal of variability in the skills and ability of local energy audit companies.

With 16.5 million in GEF support, the *China Utility-Based Energy Efficiency Finance* project (CHUEE) continues to exhibit high performance and exceed its key targets. The project goal is to create effective, commercially sustainable delivery mechanisms for systematically developing, implementing and financing energy efficiency (EE) projects in China. By the end of June 30, 2010, the program's three partner banks have disbursed

more than US$ 1.19 billion – more than 35% of which to SME borrowers - to finance 200 EE and Renewable Energy RE projects. The implementation of these projects is expected to reduce 42 million tons of CO_2 emissions.

In FY10 the project developed a Sustainable Energy Finance training package for the banking industry and conducted the training, jointly with China Banking Regulatory Commission (CBRC), for 34 banks. In addition two studies were completed - "EE Mapping Study in the Paper and Pulp Industry" and "China's Water Efficiency and Quality Improvement Market Potential Study". The key findings of the reports have been shared with over 150 participants from the central and provincial governments, industrial experts, EE vendors, and financial institutions.

Table 4.1.3 highlights the project's cumulative results to date.

Table 4.1.3: CHUEE Key Indicators as of June 30, 2010

Impact Indicator	Target	Target Timeline	Cumulative Results to Date
Value of Loans Disbursed (US $)	465,000,000	Project completion	1,190,000,000
GHG emissions expected to be avoided (metric tons/year)	20,000,000	5 years post-completion	15,919,247
Energy use expected to be avoided (MWh/year)	23,150,000	5 years post completion	12,059,961

CHUEE's target with respect to value of loans disbursed has been exceeded by approximately $ 81 million, two years before the proposed timeline. The project has also reached 80% of its target for GHG emissions expected to be avoided and 52% of its energy use expected to be avoided targets, both of which were set 5 years ex-post.

Since its inception in 2006, CHUEE has generated success in attracting the involvement of domestic financial institutions involved with the energy services industry, has provided effective guidance and leveraging of commercial capital flows to energy service companies (ESCOs), and effectively supported and promoted the growth of the energy services industry. Some valuable lessons include:

- Adoption of energy efficiency measures is driven economic factors (high energy costs) and regulatory pressures (mandatory government policy on energy conservation and emission reductions).
- The availability of mature energy-saving technologies with a proven track record for reliability (energy savings delivery) is a determining factor when company managers' are faced with decisions as to whether to pursue EE investments.
- An aggressive outreach campaign can contribute very positively to raising knowledge, and comfort levels, on EE financing among financial intermediaries.
- The establishment of a risk sharing facility can be a very attractive incentive mechanism in terms of creating appetite among "early mover" financial intermediaries when building an EE portfolio.

In addition, the project has been evaluated by the World Bank Group's Independent Evaluation Group (IEG) in 2010. In summarizing CHUEE's impact, the evaluation highlights that within the overall market development in energy efficiency in China, the program lends modest additionality. This said, it states that in addition to notable energy savings and emissions reductions , "…. the program provided many unique contributions to the energy efficiency market, Building banks' institutional capacities, promoting new lending practices, and improving access to financing for some underserved groups are the additional contributions of the program."[6]

Renewables for Rural Development

In the South Asia region, the Sri Lanka Renewable Energy for Rural Economic Development (RERED) project, a follow-up to the successful WBG-funded Energy Services Delivery (ESD) project has yielded lessons valuable for projects that seek to encourage private sector provision of renewable energy services. In the region at least,

[6] Independent Evaluation Group, The World Bank/IFC/MIGA; Energy Efficiency Finance: Assessing the Impact of IFC's China Utility-based Energy Efficiency Finance Program; Washington, D.C.; 2010; p.39

there exists substantial scope for development of off-grid renewable opportunities, particularly in rural areas where opportunities for grid options are limited, though caveats exist. For one, off-grid renewable options have greatest potential for uptake when these are strategically developed in areas where potential for productive economic activities are high. And secondly, renewable energy programs must be supported by programs to remove barriers for creation of markets for renewable energy products.

Urban Transport

The World Bank approach to projects in this sector is based on the recognition that the road to sustainable transport involves implementing projects that simultaneously reduce GHG emissions and enhance multiple co-benefits. To these ends, efforts have focused on encouraging modal shifts to more efficient, less-polluting forms of public passenger transport, and non-motorized transport. To date, more than 10 developing countries have partnered with the Bank through the GEF to undertake sustainable transport projects. The impact of this work at the municipal level is significant, with more than 30 cities operationalizing GEF/Bank funding to redesign their transport systems, including through installation or upgrade of urban transit systems. Two examples follow:

China's Urban Transport Partnership project seeks to achieve a paradigm shift in China's urban transport and land use policies and investments through promotion of public and non-motorized transport modes that are less energy intensive and polluting that those fostered by current urban land use planning and transport systems in China. A national sustainable urban transport framework and associated technical guidelines will be developed and issued, which will then be used to guide a number of cities in the design of their transport development programs. The project shows significant leverage and replicability potential: Weihai, one of the participating cities is developing a public transport strategy that is based on the concept of a green, public transport-oriented city. The commitment and proactivity shown by the city at the early stages of implementation of the GEF project, has encouraged the preparation of a proposed IBRD financed Weihai Urban Transport Project.

The *Sustainable Transport and Air Quality for Santiago* project in Chile, which closed in FY10, sought to help reduce GHG emissions from ground transportation in the city through the promotion of a long-term modal shift to more efficient and less polluting forms of transport and the adoption of sustainable low-GHG transport measures, thereby also improving the city's air quality through reduced emissions of air pollutants. To that end, the project developed an Urban Transport Plan which contained transport-specific measures and targets for reduction in emissions of air pollutants. The project succeeded in reducing barriers to introduce clean technologies and incentives for transport, testing commercially available bus technologies and developing bidding conditions to favor the introduction of clean technologies for transport. Overall, non-motorized trips increased by 23% in the winter period and 12% in the spring period for areas with bikeways, and the number of GHG emissions avoided has been estimated at 98,975 T GHG, thanks to changes in public system management, and 3,000 T GHG due to modal shifts from cars to bikes.

Harnessing the Power of the Sun

During the late 1990's, the GEF made two grants, implemented by the World Bank, to support the development of concentrated solar power (CSP) projects in Egypt and Morocco. The Egypt *Kureimat Solar Thermal Hybrid* project and the Morocco *Integrated Solar Combined Cycle Power* project each received a grant of US $40m grant, which was blended by the Bank with an overall investment of over US $200m. This injection of investment capital allowed CSP plants to be erected for the first time in developing countries. The projects used the Integrated Solar Combined Cycle (ISCC) configuration, where energy from a solar field is combined with a conventional combined cycle gas turbine plant, yielding solar field capacities in the range of 20 MW each.

The commitment of the GEF and the WBG to these projects stimulated a renaissance of interest in this technology, resulting in new CSP plants being designed and built in both Europe and North America. It also helped spark interest in an important investment scale-up project in the Middle East and North Africa region

specifically, in Algeria, Egypt, Jordan, Morocco and Tunisia, which will receive additional support from the GEF, as well as from WBG through its Clean Technology Fun (CTF). Specifically, this will enable the countries to draw on their unique geography to support global climate change mitigation, while helping them achieve their development goals of energy security, industrial growth and diversification, as well as regional integration. The scale of this follow-up investment program will firmly establish the region on the transformational path of achieving 5 GW of installed CSP capacity by 2025, and provide the stimulus necessary for replication in other developing countries.

As the two projects near completion, a number of best practice examples have emerged that underline the potential for ongoing transformational impact that CSP has on the region's energy future, as well as beyond:

- Potential for GHG emissions savings in the region - It is estimated that a 1 GW-scale of CSP deployment would result in carbon emissions avoidance of 2.6 million tons per year in the region based on current conditions and results drawn from previous work, which represents about 1.5 % of the current energy sector emissions in the Southern Mediterranean countries.
- Replicability – While the proposed program is regional in nature, it has global potential. Together with the planned capacity additions in the U.S and Europe, cost reductions and institutional learning that will be achieved through this program will facilitate faster and greater diffusion of this technology in other countries in Asia and Africa, where significant potential for CSP exists. Estimates for realizable CSP potential vary from 20-42 GW by 2025 (DLR 2004). The total planned capacity additions are in the range of 10 GW and include projects in Algeria, China, Iran, Israel, Portugal, South Africa, Spain, and the U.S.
- Development Impact - A key development impact from this program is the contribution to fulfilling the growing energy needs in the region, including diversification of energy supply sources. Scale-up of CSP can also provide a catalyst for increase in manufacturing: roughly 30% of the hardware for use in the plants under implementation is locally manufactured. From an economic development perspective, assured demand for a large capacity additions in the GW scale would mean that manufacturing of precision components can become viable in the region. Therefore, the scaling-up of CSP can spur local production and create new jobs, while meeting long-term energy security and diversification goals of countries in the region.
- Implementation Potential - A key barrier to implementation is the subsidized fossil fuel prices in many countries. It is evident that scale up will be only achievable by overcoming systemic barriers, such as energy subsidies and introduction of favorable policies that will encourage commercial utility operations in general and promote CSP in particular. Governments have begun to take steps for considering pricing reform and continued progress in this area would be important for integrating renewable energy. The further development of public policies and institutions to support deployment, diffusion and transfer of renewable energy in general must be part of a dialogue with countries.

Adaptation

Yemen's Agro-Biodiversity and Climate Adaptation project objective is to enhance capacity and awareness at key national agencies and at local levels to respond to climate variability and change; and to better equip local communities to cope with climate change through the conservation and use of agro-biodiversity. The project is strategically placed to develop the building blocks for the Pilot Program for Climate Resilience. It lays the institutional foundation for developing an effective adaptation strategy by applying an integrative approach to agricultural resilience and food security in a changing climate. Specifically, the project is building on the traditional knowledge of farmers and to develop an inventory of local agro-biodiversity, and identify and test selected landraces for climate resilience. The information on the agro-biodiversity resources will be used to develop natural resource management and alternative income-generation plans with local communities as part of a "no regrets" approach to building climate resilience in the highlands. In addition, the project will raise awareness on climatic change and enhance local predictive capacity of weather patterns and long-term climate change scenarios for the country. And lastly, the capacity gained will be used to integrate climate resilience into rain-fed

agriculture. At the national level this will done through capacity development of the Ministry of Agriculture and Irrigation and development of a climate-resilient rain-fed agriculture strategy, while at the local level through the development and piloting of a menu of coping strategies in partnership with the communities.

Together, this will set the stage for Yemen to embark on the Pilot Program for Climate Resilience. The PPCR will leverage an additional US$110 million in grants and concessional funding for support to a transformational development approach by putting in place a framework for long-term vision for climate resilience.

4.2 Biodiversity

Transfrontier Cooperation

A prime example of success through partnership, the *South Africa and Lesotho Maloti-Drakensberg Transfrontier Conservation and Development* projects closed in FY10. This regional effort saw the establishment of a long term collaborative initiative between the two countries to protect the exceptional biodiversity of the Drakensberg and Maloti mountains through conservation, sustainable resource use, and land-use and development planning. While the ecosystem showed similarities on both sides of the border, considerable legal, social, institutional and economic differences forced the design of two separate projects following a common objective, rather than one regional project to be jointly implemented. The project's results include substantial contribution to natural resources protection and biodiversity conservation, improved national and bilateral institutional capacity and cooperation between the countries and benefit to local communities from income generation activities based on nature protection through the development of eco-tourism and engagement in protection and conservation activities. The long-term sustainability of this initiative is being pursued through a bilateral 20-year transfrontier conservation and development strategy. Specific lessons for future good practice include:

- Transfrontier cooperation in biodiversity conservation can be achieved through parallel implementation that takes into account the uniqueness of the countries involved, while maintaining synergies for cross-learning and collaboration;
- Where local implementation capacity may be low, good and simple project design and detailed preparation is essential. This includes a well prepared results based monitoring framework, which be fully agreed prior to project implementation.
- Long-term operational arrangements of investments should be carefully assessed prior to entering into investments for infrastructure support.

Local Initiatives Making It 'Big'

The *Bulgaria: Pomorie Lake Conservation, Restoration and Management* project presents a good example of how bottom-up approaches can complement top-down (i.e. national and European) efforts to meet global convention objectives, in this case establishment of the EU Natura 2000 network of protected areas and wetlands according to the RAMSAR Convention. Despite the project's small size, it has been an important pilot exercise and serves as a model for replication on how new ideas for sustainable management of protected areas may be introduced and how natural wetlands may be used to create unique tourism products and stimulate economic development. The project established a new model of cooperation between the local government, NGOs and the private sector and demonstrated how considerable implementation difficulties can be overcome through good local cooperation, sustained by strong support from the Bank project team. The success associated with the project resulted in it being able to mobilize additional resources and support from state authorities, local businesses, municipal councilors, citizens and donors, which in turn raised its profile within the broader national and regional context.

The Importance of Flexibility when Working Within a Dynamic Context

In *Jordan*, the *Integrated Ecosystems/Rift Valley* project aims at securing the ecological integrity of the Jordan Rift Valley as a globally important ecological corridor and migratory flyway, through a combination of integrated land use planning, ecologically appropriate and nature-based socioeconomic development, and biodiversity protection and management. The project's objective aims to build from the Land Use Master Plan of the Jordan Valley Authority. Yet, during implementation, changes in the national development context resulted in the creation of Regional Development Commissions which affected the management structure of the Land Use Master Plan. The project Steering Committee therefore, invited the newly established Commissions to join the Committee in order to engage them in direct consultation and involve them in the project's evolution. By responding to the changing political landscape in a positive manner, the project was able to maintain the integrity of its objectives through consolidation of regional interests, and succeed in raising the relevance and value of mainstreaming an integrated ecosystems management approach into land use planning. To date, one concrete result is that following the designation of the proposed Qatar and Fifa Protected Areas, a feasibility study under consideration for the Red-Dead Conveyance System that would affect the PAs has been postponed. Finally, the project has initiated a strategic dialogue on the future of PAs in the land use planning context with the Ministry of Water and the Government of Jordan.

In South Asia, the *Pakistan Protected Area* project has significantly: contributed to reducting grazing and fuelwood collection; increased the number of a variety of threatened species including markhor, musk deer, western tragopan, monal pheasant, ibex, and chinkara; and, reduced poaching. In addition, each park has developed community-based monitoring guidelines that enable the continued and regular monitoring of selected species populations, reduction in pressures on park resources, as well as other proxies for community participation. A number of lessons have emerged:

- specific efforts to ensure that key stakeholders share a vision of park management and protection before project commencement is key to ensuring local support and success of the project;
- realistic design and early activation of mechanism to ensure financial sustainability of improved environmental management models are necessary to maintain the faith of community co-managers who are likely not in a position to give up resource use without compensation of some form;
- co-management models must be housed within larger entities that can provide technical assistance and support to ensure an holistic co-management approach rather than piece-meal village approach;
- adequate attention to M&E design, implementation and utilization is important in every operation, but is particularly important for a project that proposes to test a new modality of park management;
- a five-year lifespan is considered too short and not appropriate for a community-based biodiversity project; and,
- flexibility is important in a dynamic context, particularly in countries with rapidly changing political and social situations.

Pioneering Small-scale Environmentally-conscious Investment Funding

The *Eco-Enterprises Fund*, which closed in FY10, was launched in 2002. Its objective was to mitigate threats to biodiversity conservation in Latin America and the Caribbean by creating economic incentives to protect critical natural resources. The project has come to be viewed as a pioneer in the industry of environmentally-conscious investment of funds.

The project used the tools and principles of venture capital and targeted small and medium enterprises with sustainable business models to achieve biodiversity conservation and social development goals. The initiative fostered the efforts of the local nonprofit community and conservation organizations in commercial enterprise development as a means of diversifying their funding base.

The Fund financed 23 SMEs in 10 countries with total capital of $6.3 million. These SMEs were then able to receive co-investment in the order of $36 million, from other financial services providers motivated by the Fund's involvement, and later received follow-up financing in excess of $90 million. The table below shows the key cumulative indicators for the Eco-Enterprises Fund.

Table 4.2.1: Eco-Enterprises Fund (completed) Indicators, as of June 30, 2010

Impact Indicator	Cumulative Results to Date
Hectares of sustainable managed land	535,456
Number of jobs created	3,754
Value of financing facilitated by advisory services (US$)	90,125,533
Sales Revenue (US$)	190,991,620

The overall impact of the portfolio of Eco-Enterprises was very strong[7]. Project achievements are significant and highly efficient, given the investment of only US $1 million.

Eco-Enterprises conducted a survey of all portfolio companies to hear directly from entrepreneurs, owners, and company principals about their investment processes and asked them to rate the technical assistance provided through this project. It also facilitated an industry gathering to validate lessons learned, and as an opportunity to share stories and to exchange best practices. Furthermore, as part of its monitoring and evaluation activities, Eco-Enterprises developed a robust monitoring system on environmental and social impact that promises to be replicated in other similar funds.

Some lessons learned through implementation of the Eco-Enterprises Fund include:

- The quality of the entrepreneurs is a key determinant in whether a venture investment in an "eco-enterprise" succeeds,
- The balance between the for-profit motive and eco-stewardship responsibilities for the fund proved critical. The management and governance of these types of funds, therefore, requires that both interests be represented in the fund structure in a careful balance. In this project the partnership between The Nature Conservancy and the principal investors was a determining factor in maintaining the fund's focus.
- Quantification of global biodiversity conserved or protected is a complex and laborious effort. The ability to have proxy indicators, such as "hectares of land sustainably managed" located in high biodiversity value areas is a cost-effective and practical way to track results.

Building Support from the Outset is Key

The *Rural Environment Project* implemented in *Azerbaijan* targeted biodiversity conservation and introduction of more sustainable natural resource management in two globally significant biodiversity areas within the Caucasus and Zangezur mountains through introduction and piloting of an ecosystem-based approach for PA management. The project, which was completed in FY10, received moderately unsatisfactory and unsatisfactory ratings at completion. Though conceptually and financially strong, its implementation was hampered due to regulatory conflicts and lack of support from key government stakeholders.

While the Ministry of Ecology and Natural Resources (MENR) has managed, since 2003, to increase to 18% the total land area it protects, significant progress is required in order to institutionalize ecosystem-based, multi-use nature conservation, rather than the exclusive strict protection approach. In recent years, MENR's focus has been on expanding the area "under protection" in the belief that securing such legal status would ensure protection and halt the negative effects that the ongoing privatization process may have on critical areas. This approach

[7] The project development objective rating was rated 'satisfactory' instead of 'highly satisfactory' due to absence of development target indicators, which were not available in 2002 when the project began.

however, can backfire and have the opposite effect by undermining local community support for, and participation in, conservation.

A key lesson drawn from the project's implementation is that projects that involve selecting sub-grant beneficiaries through specific selection criteria/ mechanisms, should pilot the selection process during project preparation to identify any weaknesses in the proposed process, as well as have a pipeline of pilot sub-projects ready to implement promptly upon project implementation. When Government and other potential beneficiaries see immediate project results, it creates initial momentum for the project; in contrast to being seen as carrying out seemingly endless studies during project implementation, which only serves to create frustration and cause a wane in commitment.

The Benefits of Partnership

The *Tanzania Eastern Arc Forest Conservation and Development* project closed in FY10, having strengthened institutional capacity and successfully piloted community-based conservation, development and implementation of participatory forest conservation strategies in an effort to promote sustainable conservation and management of the biodiversity and ecosystems in the biologically and socially important Eastern Arc Mountains Forest.

An important lesson gleaned from the project came from the adoption of a Joint Development Partner approach to participatory forest management. This partnership modality showed positive results in terms of achieving effective coordination, cooperation and information exchange with other donors involved in the country's forestry sector (namely bilateral concerns). It also facilitated increased joint policy level discussions, thereby eliminating potential duplication or provision of conflicting advice to the Government, while simultaneously leveraging each of the donor's comparative strengths in the area of forest resource management. Some key learning points include:

- Strong political, technical leadership and alignment with the country's priorities are essential for sustainable forest sector reforms and require transparency in the consultative process to ensure that staff/employees, at all levels, feel ownership and see change as an opportunity rather than a threat to their livelihoods.
- Restructuring of projects to adjust project design to respond to realities on the ground and increase the potential of achieving tangible results should be done as early as possible when projects show lack of progress resulting from complicated, perhaps overly-ambitious design.
- To ensure sustainable community involvement in forest management, the awareness and capacity building on social, institutional and regulatory issues should be identified during start up and early implementation, as these often require time, as well as provision of incentives.
- Creative ways to attract and contribute to the overall conservation fund development must be introduced if targets for capitalization are to be achieved because there are often restrictions on bilateral funds being invested directly into endowment funds. Timely fundraising efforts for endowment of conservation funds play a key role.

4.3 International Waters

Projects in the World Bank's international waters portfolio principally seek to support adoption of a comprehensive approach to shared water basin resource management and marine resources, while supporting and incorporating communities and local organizations roles into the processes of project design and implementation. Efforts under this focal area serve to support GEF corporate learning objectives 1 and 3.

In the *Mediterranean region*, the *Sustainable Mediterranean program* projects seek to reestablish ecological balance within this environmentally sensitive region. A 5 year program, it aims at enhancing and accelerating the implementation of trans-boundary pollution reduction, improving water resources management, and developing

biodiversity conservation measures in priority hotspots and sensitive areas in selected Mediterranean basin countries that will help to achieve a series of strategic biodiversity and ecosystem targets. The program is unique in its structure, integrating investments with reimbursable technical assistance and analytical work.

In *Tunisia*, the *Northern Tunis Wastewater* project is the first project that has been approved under the Sustainable Mediterranean program. It finances additional infrastructure which allows for an increase in the reuse of treated wastewater in agriculture, thereby reducing treated wastewater discharge from Greater Tunis into the Gulf of Tunis, an environmentally sensitive area of the Mediterranean Sea.

The *Moldova Agriculture Pollution Control* project has instituted real behavioral change in the project's participating communities with regard to manure management, cleanliness and use of environment-friendly practices to reduce the discharge of nutrients and other agricultural pollutants into the Danube River and Black Sea. It has been acknowledged that the results of this pilot project are highly replicable and that the country capacity has been enhanced to continue activities supported by the project.

A series of key lessons learned with respect to rural environmental and agricultural operations in the region have been extracted:

- Early involvement of local administrations, communities, and key decision makers in project preparation is essential in order to ensure ownership and successful implementation.
- Local communities need to see tangible benefits to adopting measures to reduce nutrient loads. Improved agricultural practices selected for testing and demonstration were cost-effective, low-input, and readily transferable, demonstrating potential to increase famers' incomes.
- Build local ownership and sustainability by decentralizing responsibility for financial and project management (e.g., Romania Danube Delta Biodiversity Project). During project preparation and implementation, the project implementation unit worked closely with local administrations in the pilot area.
- Disseminate information through credible and well-established local institutions to encourage widespread adoption of new technologies and practices. The project included a public awareness campaign, training, and local and national demonstration programs delivered by the Agency for Consultancy and Training in Agriculture (ACSA), with support from local soil and forest institutes, to disseminate information on site appropriate environment-friendly agricultural practices.

The regional *Nile Trans Boundary Environment Action* project, which closed on 30 June 2010, has generated some lessons regarding implementation of regional projects that validate best practices for currently used to measure success. For one, political will and participation, prudent institutional and technical design, and strong partnerships are essential to achieve highly complex regional programs. Wide stakeholder participation, transparency and a strong communications program are crucial elements to initiating a political process that will be critical to achieving lasting regional cooperation and ownership. Further, in any regional endeavor, while development partners may share responsibilities in providing technical support to the clients, experience through the project demonstrated that a more formal assignment of responsibility produced better results by avoiding unnecessary duplication, and eased the burden of communication between development partners. Moreover, investment in a Shared Vision Program (SVP) serves to create substantial human resource assets which contribute to the development of an active roster of key regional professionals available to offer their services in an advisory capacity for future projects.

Another regional initiative, this time in East Asia, underlines the role and value of investing in the generation of scientific and technical knowledge through projects. The *Targeted Coral Reef Research Project*, provided the opportunity for research groups to work collaboratively on specific project management questions. Not only did this enhance the relevance and productivity of the science generated, with 176 papers published in ISI-recognized

journals and an overall Web of Knowledge Impact Factor of 5.3, but it also generated the coalescence of an international network of scientists from north to south in the project region.

From a capacity-building perspective, the project developed a suite of practical management tools through regional/local scientific/management dialogue including cost-effective protocols for reef restoration, guidelines for setting realistic expectations for the use of remote sensing for reef monitoring and, establishing best-practice guidelines for monitoring coral disease, many of which are routinely used by practitioners. Perhaps more importantly however, the project has developed a living legacy tool: a new, dynamic and coherent network of research capacity. Building on the lessons learned and the success of the project, a proposal for a second phase project has been submitted for consideration.

4.4 Land Degradation

A series of broad lessons learned regarding sustainable land management (SLM) have emanated from results of work undertaken in Bhutan in the South Asia region, where significant efforts are being made to mainstream such approaches into annual sub-district and district level natural resource planning (agriculture, forestry and livestock management) exercises, while in tandem working to incorporate SLM approaches into national livestock and agriculture policies. These include:

- In remote areas constrained by topography and staffing considerations, the successful application of SLM approaches requires capacity enhancement of farmers and local community workers, and dedicated time and effort from the project team to ensure proper training.
- To embed SLM approaches at the local, or decentralized, level requires that the approach be mainstreamed at the national level planning and decision making level. Sectoral policies and planning must closely integrate SLM approaches to maximize, validate and sustain impacts at the local level.
- Careful thought should be given to the extent to which project interventions should be inclusive (in terms of all farmers getting some benefit) versus being selective to ensure greater impact and visibility on the ground. In this regard, a two-tier approach may be more appropriate, at one level targeting and engaging as many farmers, combined with a focused approach tied to a certain area, where long-term SLM interventions will be carried out at a larger scale to ensure greater visibility and impact.
- SLM approaches must ensure that the vulnerable households have access to project inputs and activities in order to meet greater success.
- Post-project sustainability planning must be developed at both the local and national levels, including mainstreaming SLM approaches into national level planning and policy development, extensive collaboration with relevant partners and sectors, and ensuring adequate financial support for post project impact.

In the *Sub-Saharan Africa* region a number of countries are home to some of the world's "hot spots" of land degradation. A series of GEF-funded innovative pilot SLM projects have sought to tackle the problem and generated success, as well as demonstrated a high potential for future replication, in the process.

> The *Cameroon Sustainable AgroPastoral and Land Management Promotion* project has achieved significant results in establishing an innovative system for channeling funds to rural communities to finance prioritized collective land management infrastructure, and strengthening the capacity of communities and local governments to plan and manage the development of these same. This has resulted in the construction of 138 water points in rural areas, 204 soil fertility and water management plans developed, and 61 rural roads rehabilitated. In addition, 120 SLM micro-projects were implemented. The collective priorization approach has contributed to reducing the potential for community conflict.

Interesting elements in the *Burundi Agricultural Rehabilitation and Support* project have served to broaden the view on how land degradation may be tackled in a sustainable way. The livestock involved in the project contributes organic waste which is used on crops and has contributed to stabilization of the soil, improving fertility and reducing erosion. Watershed management, as well as marshland rehabilitation, has improved water use, rice yield and horticulture development. Agro-ecological packages have been adopted on 23,461 ha and, the area of farm plots on which improved agricultural practices have been adopted now stands at 11,600 ha. Of significance, is the finalization of decrees pertaining to creation of a legal framework for land management and environment, with a subsequent study for forestry and mining currently underway. To ensure sustainability, the project has provided support for the development of a National Land Use Strategy and two provincial plans (Bubanza and Kirundo) which have now been approved and made public.

The *Niger Community Action Program* has focused on an element essential to SLM - community participation. The project promotes SLM and increased provision of global ecosystem services including agricultural production, increased vegetative cover on cropland and rangeland, and carbon sequestration. Significant advancement in development of local development plans has been recorded, with 160 conventions signed and 90 micro-projects completed.

4.5 POPs

The World Bank's involvement in the Persistent Organic Pollutants (POPs) focal area is still relatively new and the portfolio, and the lessons it has generated, are both therefore limited. Taken as whole, the projects cover POPs sectors which are quite different in terms of the issues they seek to address, but as a result of monitoring and evaluation conducted on experiences to date, some lessons do emerge that can serve as useful flags when developing the portfolio further. These are outlined below:

- Stakeholder analysis: Ownership of stocks of obsolete pesticides must be confirmed for in one project, failure to identify that the majority of such stocks were privately, and not publicly owned, led to implementation delays while the project design was reassessed to take this into account.
- Inventories will often be underestimated. In many cases, the estimated amounts of POPs targeted by the project prove to be rather significantly under-estimated. While this is, to an extent, unavoidable, it but does put a strain on a project's budget, as well as on its capacity to tackle elimination of the POPs wastes in one operation, the first time around. In addition, accumulation will likely reoccur, even if the project addresses some of the capacity constraints that led to the problem in the first place.
- Flexible approach to management: Experience shows that the POPs portfolio can still be considered to a large extent as a pilot program, governed by many unknowns at the time a project commences implementation. Project management needs to be aware of, and ready to accommodate, these uncertainties – as describe in the two points above for example.
- Linking investments with regulatory framework and enforcement : While this is not a "new" good practice, in the chemicals arena it is one learned in particular, through implementation of the Montreal Protocol, which helps sustain investments and facilitate securing stakeholder support. In one example, clean up of a site could not be achieved because the private enterprise felt that the compensation offered was too low, given that it was not under a formal obligation to clean-up, even though the project was offering significant support towards this activity.
- Projects that require regulatory approvals for specific activities linked to hazardous waste management are likely to face implementation delays largely beyond the control of a project team. In one case, a project was delayed in order for licenses to be granted to operate an incinerator and a soil decontamination unit. However, despite the delays, over the course of the long term, capacity will now exist in the country for future use, which would not have been the case if all waste had been exported for destruction.

- Working at various levels: Particularly in large countries, it is important to work at all levels of government – national, regional and local – in order to gain the engagement of authorities responsible for environmental protection. A few projects have been very successful in forging a strong collaborative partnership between the national and provincial environmental authorities, and in building the capacity of the provincial authority to fully implement the project component under its responsibility.
- Regional projects/programs need to be designed with sufficient flexibility so that specific country issues can be addressed easily and that lack of progress, for example, in one participating country, does not slow down or hinder the progress in another country.
- Where there's a will there's a way: The response to the tragic 2008 China Sichuan Earthquake was developed in the record time of seven weeks, from receipt of the request from the Government of China, to the signing of the project's Grant Agreement. This resulted from support and willingness to facilitate processing by the GEF Secretariat and a number of Units within the World Bank including legal and operations divisions.

5. ADMINISTRATIVE EXPENSES

FY10 GEF Administrative Expenditures - IBRD							
	Staff Weeks	Consultant Time	Staff Costs	Consultant Costs	Travel Costs	Other Costs	TOTAL COSTS
(a) Policy Support	164	n/a	942,889	14,034	105,015	19,154	**1,081,092**
(b) Portfolio Mgmt	222	n/a	1,268,046	14,784	25,475	43,376	**1,351,681**
(c) Reporting	54	n/a	209,363	12,752	18,081	33,386	**273,582**
(d) Outreach and knowledge sharing	42	n/a	175,802	35,187	46,520	16,183	**273,692**
(e) Support to the GEF Eval Office	-	n/a	n/a	n/a	n/a	n/a	**n/a**
Subtotal - Corporate	**482**	**n/a**	**2,596,101**	**76,757**	**195,090**	**112,099**	**$2,980,048**
3. Project Cycle Management							
- Preparation	n/a	TBD	4,316,171	1,191,502	1,605,015	76,569	**7,189,258**
- Supervision	n/a	TBD	8,924,242	1,555,522	3,136,721	111,962	**13,728,447**
Subtotal - Project Cycle	**3,220**	**n/a**	**13,240,413**	**2,747,024**	**4,741,737**	**188,531**	**$20,917,705**
TOTAL	**3,701**	**n/a**	**15,836,514**	**2,823,781**	**4,936,827**	**300,631**	**23,897,753**

Source: SAP and BW, except for IFC expenses which were obtained from IFC staff.

Notes:

1. The administrative expenses reflect only a portion of the expenditures for the delivery of the Bank's FY09 GEF work program. Because the Bank only charges its GEF budget for the incremental effort, the Bank's GEF expenditures do not reflect the actual full costs of "doing business."
2. There are no Bank staff who work full time on the GEF, nor are there any Bank staff who charge 100% of their time to the GEF, thus, such costs as mission travel are quite often shared with non-GEF activities.
3. Corporate activities include costs for the Bank's Central Units (e.g. Legal, Accounting and Disbursement) and Audit fees. Preparation includes such non-project-specific costs as Regional Coordination, Thematic Specialists, Etc. These expenses are not easily allocated to a project.
4. Consultant time is available, but the Bank does not collect and track this data comprehensively. The data is available from each individual consultant's contract. It would however be a labor intensive effort to collect this Data for hundreds of consultant contracts.
5. The Bank's systems report its expenses only by preparation and supervision components of the project cycle.
6. The Bank does not track its expenditures with regard to "Support to the GEF Evaluation Office." If the Bank participates in such activity, it is expected that such time and amounts would not be significant.

ANNEX A : Climate Change Portfolio Performance Ratings – MU and Below

Region	Country	Project Title	Project type	DO Rating	IP Rating	Management Response
AFR	Guinea	Decentralized Rural Electrification	FSP	U	MS	The project is blended with an IDA loan but due to the political situation in-country, project activities have been frozen since December 2008. Despite the difficult situation, most of the PDO targets have been met, but the GEO is rated as U given the inability to disburse funds, which severely affected the renewable energy projects, for which large procurement packages had been in process but had to be cancelled before the awards were contracted. No renewable energy projects could therefore be completed and no CO2 emission reductions have been achieved. An extension of the closing date was not possible in FY10, due to the country situation, but a retroactive extension could exceptionally be considered, provided country conditions improve.
EAP	Papua New Guine	Teachers Solar Lighting Project	MSP	U	U	The project objective was to improve of the life of teachers, health workers, and other public employees in rural areas, by making available affordable, environmentally sound, basic electricity services from renewable energy through creation of early markets for Solar PV household electrification and build the capacity on the part of all market participants (providers, purchasers, and lenders) to scale up renewable energy use in PNG. The project suffered significant shortcomings both in its design and execution and as of January 2009, at the MTR point, only one solar lighting system had been sold out of the targeted 2,500-3,000. In addition, only 10 % of project funds were disbursed by mid FY09 against a planned disbursement of 90%. The situation had not improved significantly at project closure in FY10, as there had only been the sole loan under the project and project disbursement was only 16.5%. Performance of the implementing agency was weak.
EAP	Philippines	Electricity Cooperative System Loss Reduction project	FSP	MU	U	The project aim is to book guarantees in support of electricity cooperative investment programs. A 'U' rating was applied because of the lack of closed transactions. While the managing entity and project team are making good progress on four transactions that could close in FY11, more is required, as is a supportive attitude from the Ntl Energy Agency, which is considered the critical ingredient needed to facilitate these deals. If the NEA/managing entity co-financing agreement actually proves effective, then it is possible that the full capacity of the guarantee fund would be used up quite quickly. A major focus of the supervision effort during FY11 will be to help to get results from this agreement.
EAP	Vietnam	Hanoi Urban Transport Development	FSP	MU	MU	The project is blended with an IDA loan. The strategic objectives associated with the GEF-funded component aim to promote a shift to more environmentally-sustainable transport modes and urban development plans, and to promote the replication of these approaches in the country and region. Implementation of the GEF Grant is underway, though behind schedule. Disbursement lags are the result of the client's delays in hiring consultant services responsible for developing the Terms of Reference for all related assignments to be executed under this Grant. A time-bound action plan has been agreed to benchmark progress and improve overall implementation status.

EAP	Pacific Islands	GEF Sustainable Energy Finance	FSP	MU	MU	The project GEO rating has been upgraded to MU. While implementation is still well behind targets set in the project document, over the past year in the order of USD1.2 million in commercial financing has been mobilized for small scale renewable energy as a result of this project. Five businesses and one women's group have accessed the facility, as well as a number of individuals. This increasing activity has demonstrated that there is a demand for the Risk Sharing Facility supported under the project, especially from SMEs. The strategy of focusing on small businesses and community organizations over the past year is showing results and the improved rating is in recognition of the increased rate of project implementation. However, progress is uneven across the countries and project management continues to be an issue, hence the MU rating.
EAP	China	Heat Reform & Building Energy Efficiency	FSP	MS	MU	The IP rating is changed to moderately unsatisfactory. While it is still likely that the HRBEE will meet its Project Development Objectives, the pace of project implementation and incorporation of lessons learned from implementation of the first batch of subprojects is slower than planned. Agreements reached in December 2009 had not yet been implemented by the end of FY10.
ECA	Croatia	Renewable Energy Resources project	FSP	MU	MU	Even though the project has been partially successful in starting up a development of RES in Croatia the delay of two year means that it is only likely to fulfill around 20-25% of the quantitative targets set in the Results Framework. The rating of MU is allocated taking into account that some positive results have been achieved, especially with respect to building capacity in the Ministry of Economy, where many hundreds of project applications have been generated, albeit much later than anticipated.
ECA	Poland	Energy Efficiency	FSP	MU	U	While some measure of success was achieved, the overall rating of MU was related to the project objective that sought to overcome the risk barriers in the financial markets inhibiting commercial bank participation in energy efficiency project financing. This is achieved as indicated by the volume of EE transactions financed by bank loans in Poland. One of the main reasons that the guarantee facility did not take off was that banks over time gained confidence in the EE market and did not feel they needed a guarantee. However, this was mainly due to factors outside the control of the project. As a result, the main project instrument (the Partial Credit Guarantee) did not have any impact.
ECA	Macedonia	Sustainable Energy	FSP	MU	U	The project has taken small but valuable steps toward creating an enabling environment for sustainable energy, mainly through the preparation of rulebooks for renewable energy producers and assisting a process where around 60 small hydropower plants are in different stages of development. However, there are still substantial institutional shortcomings and low capacity to process developer's applications and important aspects relating to setting limits for intermittent energy sources. In addition, the definition of rules for interconnection of new RE plants remain unsolved. The project has achieved very little in terms of financial support to EE investments despite the creation of the Sustainable Energy Financing Facility. Disbursement is at 13% with after 3 out of 4.5 years project duration. So far only one project has been supported.

IFC	Sri Lanka	Portfolio Approach to Distributed Generation	FSP	MS	MU	The objective of the Portfolio Approach to Distributed Generation Opportunities (PADGO) project is to improve access to cleaner and more reliable sources of energy for underserved populations. The signing of the second investment agreement was delayed by 6 months due to lengthy approval by the central bank, which in turn delayed building of the investment portfolio. As a result, the investment portfolio saw no new project additions. To make up for lost time, the project team is assisting in the development of project pipeline including preparation of proactive marketing plan and training of relevant staff.
LCR	Caribbean	Implementation of Adaptation Measures	FSP	MU	MU	The project's objective is to support efforts by Dominica, Saint Lucia and St. Vincent and the Grenadines to implement specific (integrated) pilot adaptation measures addressing primarily the impacts of climate change on their natural resource base, with a focus on biodiversity and land degradation along coastal and near-coastal areas. Delays have resulted from working out appropriate project areas with relevant stakeholders in Dominica, and in St. Vincent and the Grenadines, from some obstacles related to land acquisition for the Bequia desalinization plant and associated costs that are higher than anticipated. The Bank project team is involved in working out possible solutions with government representatives, including potential project restructuring with a focus on setting reasonable targets given remaining available funds. Although disbursements have been slow to date, they are anticipated to pick up once agreements with the countries are reached for solutions to improve project progress, including the design of the pilot activities.
MNA	Jordan	Promotion of a Wind Power Market	FSP	MS	MU	The procurement and technical assistance consultancy engagement processes were stalled for some time and faced a series of bottlenecks. In addition, despite Cabinet and Royal Court approval of the new Renewable Energy and Energy Efficiency (REEE) Law in February 2010, the establishment and operation of the Jordan REEE Fund was moving slowly. Progress began to be seen at the end of FY10, and the team will continue to provide support to national counterparts on regulatory and technical project aspects in an effort to increase the IP rating up from MU in FY11.

ANNEX B : Biodiversity Portfolio Performance Ratings – MU and Below

Region	Country	Project Title	Project type	DO Rating	IP Rating	Management Response
AFR	Liberia	Consolidation of Protected Area Network (COPAN)	MSP	MU	MU	It is the first project undertaken with the Forest Development Authority (FDA) and its is partially blended with an IDA loan. Local capacity is weak but growing and execution is proceeding slowly. A project coordinator has been hired and an annual operational plan has been drafted. Activities related to the establishment of the Lake Piso PA and the participatory process accompanying it have been launched, as well as the drafting and vetting - in all counties - of the Wildlife Law. The main risks are related to unresolved land tenure issues – which will be critical for the establishment of any new PA - and the capacity of FDA to cover the recurrent cost for operating the new parks.
AFR	Cameroon	Forest & Environment Sector Program	FSP	U	U	Ratings were downgraded in FY10 from MS to U because of lack of progress with respect to the final trigger (signature of definitive forest concession agreements) for the second tranche of funding which was slated to be released in December 2008. To address the issue, the project team has actively engaged with the Government to expedite implementation of the final trigger as soon as possible. Progress of implementation will be assessed during a joint donor supervision mission in October 2010. Based on the outcome of the supervision mission, the operation may be restructured. Results will be reported in AMR FY11.
AFR	Gabon	Strengthening Capacity for Managing National Parks and Biodiversity	FSP	U	U	This project is blended with a Bank development policy loan that supports very ambitious reforms in a number of sectors (fisheries, environment and mining), where vested interests remain strong. Overall progress has to date been impressive, but significant bottlenecks related principally to forestry triggers require strong political support (cancellation of non-compliant logging titles), and improvements are sought for the Policy on Area Forests. The Bank team is closely monitoring implementation and working in concert with national counterparts to address challenges.
AFR	Guinea	Coastal Marine & Biodiversity Management	FSP	MU	MU	Due to the political situation in-country, project activities have been frozen since December 23, 2008, forcing postponement of MTR and all supervision activities.
AFR	Guinea	GN-GEF CB Land Mgmt SIL (FY06)	FSP	MS	MU	Due to the political situation in-country, project activities have been frozen since December 23, 2008 rendering supervision extremely difficult. In addition, the project's national implementation unit lost the financial expert. A process is underway to recruit a replacement.
AFR	Africa	West Africa Regional Biosafety	FSP	MU	MU	Risk triggered by overall slow implementation resulting in delay of key activities and very low level of disbursement. The project has been under close monitoring and, following the Dec. 2009 implementation support mission, the WAEMU management took a number of strategic decisions to address the bottlenecks by targeting improved staff performance. This included: appointment of an accountant, revision of ToRs of project implementation unit staff to clearly delineate the role of the reporting manager, and greater focus on project fiduciary issues. The project is gaining momentum, albeit slowly, against the new milestones agreed in Dec. 2009.

AFR	Tanzania	TZ-GEF Eastern Arc Forests SIL (FY04)	FSP	S	MU	The project, which was blended with an IDA loan, closed in FY10 with an overall GEO rating of moderately satisfactory and an overall outcome rating of MU. Considering that the overall policy and legal framework in the sector has not changed since the appraisal of the project, with pressures on forest resources greater than ever due to increasing population impact, expansion of the agricultural frontier and escalating demand for fuelwood in urban centers, the failure to change the institutional set up of the sector to allow for more independence from government budget, raises concern about the sustainability of outcomes and outputs achieved. The main pending issue is the sharing of benefits and revenues from participatory forest management between local communities, local government authorities, and Government authorities.
AFR	Guinea-Bissau	GW-GEF Coastal & Biodiv Mgmt (FY05)	FSP	MU	MU	ICR not yet finalized.
AFR	Mali	GEF Gourma Biodiv Conserv SIL (FY05)	FSP	MS	U	The IP was downgraded from MU to U due to the slow progress in creating the Inter-Communal Protected Areas Management entity (AIG), which was expected to take over project management by mid- 2008 and become the long-term management instrument of the Gourma PA. As a result of this delay, the French GEF responsible for financing the creation of the AIG suspended its disbursements as of end 2008. This has resulted in a significant financing gap, which is required for the baseline and other associated studies which can no longer be carried out. In addition, counterpart funding also remains a systemic issue in Mali and the project has received no Government financing since last year. To tackle this issue, the project underwent a Bank Quality Assessment in May 2010 and the panel recommended the reduction of project scope and focus on field activities that would permit the showcasing of tangible results within the remaining timeframe and GEF available funding. The project will be restructured in FY11.
EAP	Indonesia	Coral Reef Rehabiliation and Management II	FSP	MU	MU	The project is successful at a number of levels, especially with respect to raising awareness. It nevertheless, is weak in key areas including monitoring reef health, development of district marine conservation areas, delays in availability of counterpart funding and procurement processing. The MTR conducted in FY09 concluded that the project was too complex, needed restructuring, and required extension to meet its objectives. With the recent approved restructuring of the project, it is expected that its ratings will be upgraded in the next FY.
ECA	Serbia	Transitional Agriculture Reform	FSP	MU	MU	Important progress has been made in restructuring the project and with this restructuring, project implementation has gained new momentum. The number of autochthonous breeds of cattle, sheep, and goats has already increased due to public awareness activities. In addition, the area of land now under organic production in the Stara Planina area has increased from less than 1 ha in conversion in 2007 to more than 300 ha in 2010. Although project disbursements remain low, a number of key contracts and activities are now at a stage in which significant disbursement and commitments can be expected in the coming months.
ECA	Azerbaijan	Rural Environment	FSP	MU	U	Agreement was reached with national counterparts in regarding project restructuring details, including reduction of scope of the PDO and its indicators and the need to reschedule key project dates. Unfortunately, following some good progress in the last half of FY09, implementation stalled again, and critically important actions remained unaddressed. In essence, the basic conditions for continuation of the project were not met, and the Action Plan that had been agreed to had largely not been accomplished. Implementation capacity and project ownership are missing. Given the circumstances, the project was closed in FY10.

IFC	Indonesia	Komodo Collaborative Management Initiative	FSP	MU	MS	The project achieved significant results including improvement in the tourism infrastructure at the Park leading to dramatic increase in visitors (19,000) and revenue ($1.5 million), design and implementation of a zoning management system for the Park, and perhaps most importantly, an improvement in the status and condition of the iconic Komodo dragon thanks to research supported by the initiative. The principal risk factor involved the ongoing financial sustainability of the park, a concern which has now been addressed thanks to negotiations that helped secure agreement for take-over between the joint-venture company, the Government and the Nature Conservancy (TNC).
LCR	Brazil	Integrated Management of Aquatic Resources in the Amazon (AquaBio)	FSP	MU	MU	During FY10, the Bank and the Government signed an amendment to the Grant Agreement to reflect changes in the implementation arrangements of the project in order to spur implementation. While the amendment was formalized in March 2010, a number of factors contributed to raising risk flags on the project namely, given delay in the transition in coordination assignments, and a strike of technical staff in two of the related agencies, which slowed progress further and led to postponement of an additional supervision mission. The Bank and the Government plan to jointly prepare an Action Plan defining key actions to be implemented by the different executing agencies, the objective being to expedite execution of activities for the remaining of the implementation period, including the preparation and execution of an independent evaluation.
LCR	Central America	Corazon Transboundary Reserve	FSP	MU	U	The political crisis in the region in 2009 brought disbursement in Honduras to a halt and damaged the political relationship between Nicaragua and Honduras, a situation which persists. A Bank mission to Honduras was initiated in March 2010, followed by Nicaragua, to evaluate the project's technical, administrative, and political situation. Results of the evaluation suggest that in the current political context, the project will likely not achieve its objective of improving bi-national management of the CTBR, and therefore the Bank and the countries are discussing options for the project's restructuring.
LCR	El Salvador	Land Administration and Protected Areas	FSP	MU	MU	Project implementation remains significantly delayed due in part to Government transition, but more so due to weak implementation capacity and cumbersome administrative procedures within the project's national implementing agency. At MTR, it was confirmed that the project objectives remain achievable, but only with a reprioritization of activities and an extension of two years. The latter will only be considered if project implementation is to pick up significantly in the first 6 months of FY11. An Action Plan was agreed to accelerate project implementation.
LCR	Argentina	Biodiversity Conservation in Productive Forestry	FSP	MU	MU	Project activities and consequently disbursements, have been constrained primarily due to multiple institutional changes in the former Secretary of Agriculture, Livestock, Fisheries and Food, during which the Director of Forestry, coordinators, and technical and fiduciary personnel were released. However, the Secretary was then upgraded to a Ministry in 2009, a change which in the long-term is likely to yield a positive impact on the sector, as the institution now has cabinet rank. The Bank and Government teams have agreed on an action plan to put the project back on track, and an amendment to the Grant Agreement is expected to be finalized in early FY11 in order to enable the project to expedite procurement and contracting.

MNA	Jordan	Conservation of Medicinal Herbal Plants	FSP	MS	MU	While the project noted achievements in the conservation and sustainable use of Medicinal Herbal Plants (MHP) through the implementation of various in-situ and ex-situ activities, and shows visible signs of institutional sustainability, the project management unit continued to operate without an Administrative Assistant and Outreach Specialist, contrary to Bank recommendations. In addition, financing remains a concern, especially regarding income-generating activities. In the letter to the Government granting the extension, the Bank, on behalf of the GEF, requested that particular attention be paid to the issue of co-financing which lags behind the commitments that had been anticipated.

ANNEX C : International Waters Portfolio Performance Ratings – MU and Below

Region	Country	Project Title	Project type	DO Rating	IP Rating	Management Response
AFR	Africa	Strategic Partnership for Sustainable Fisheries in Africa	MSP	MU	MU	The Strategic Partnership for a Sustainable Fisheries in Africa promotes sustainable management of fisheries resources in order to assist coastal countries to make concrete progress towards achieving the fisheries and poverty reduction targets set by the WSSD. The project remains rated MU due to challenges with respect to capacity including, delays in staffing and grant disbursement.
EAP	China	Guangdong Pearl River Delta Urban Environment	FSP	MU	U	GEF project is blended with Bank operations. Both have encountered delays, with the GEF component having encountered significant delays due to land acquisition issues. Varying degrees of progress have now been made in the GEF grant-financed subcomponents. Specifically, two of the three inter-municipal infrastructure development subcomponents are under construction; the third subcomponent and the water quality monitoring system are being prepared for bidding. Disbursement of the grant is expected to improve significantly with the award of contracts for the three inter-municipal infrastructure subcomponents.
EAP	China	Liaoning Medium Cities Infrastructure	FSP	MU	MS	The GEF project is blended with Bank operations. Initially many participating cities did not want to implement the GEF- funded components and risk of cancellation was high. Through extensive dialogue GEF-funded components came to be understood to be an integral part of the success of the project the situation, and the risk of cancellation was eliminated. The participating cities finalized the revised TORs (in Chinese) for all the required studies. The next step is to launch the procurement after the Bank reviews the translated TORs. Without the GEF components the project would not be able to achieve it PDO. The next critical step is to launch the procurement of the various components. This is planned for Q1 of 2010.
EAP	Indonesia	Marine Electronic Highway	FSP	MS	MU	Progress toward achieving project objectives improved during FY10 but remains uneven. A key hydrographic survey was completed and the littoral states (Singapore, Malaysia and Indonesia) have begun to exchange data and information to improve marine navigation and safety. The establishment of a data center and the Project Management Office in Batam will be clearly an important intermediate output to partially achieve the project PDO as this will provide a solid base to the project. Significant advances in navigation and communication technology achieved since the time of project design now require that some modification of specific project activities and outputs be made in order to ensure the project's continued relevance. GEO and IP ratings remain as MU until the next supervision mission scheduled for November 2010, when emphasis will be on getting IMO activities on the front burner and under implementation by the organization.
ECA	Moldova	Environment Infrastructure project	FSP	MU	MS	The project's implementation has been problematic from the outset. Various government agencies have questioned the merits of the Constructed Wetlands (CWL) wastewater treatment technology and the local authorities from the Egoreni village have opposed the construction of the constructed wetland, which was to be financed by the grant. Numerous discussions, study tours, and meetings have not resulted in sustained implementation progress, mainly because of the strong opposition of the local authorities and the population to the construction of the proposed wastewater treatment facilities. Therefore, the Bank has recommended the suspension of disbursements and possible future cancellation of the grant. This course of action was agreed at a regional Bank portfolio review in the spring of 2010.

ECA	Croatia	Coastal Cities Pollution Control 2	FSP	MU	MU	The feasibility studies and EIAs for the four GEF co-financed wastewater treatment plants are underway however one of the four towns has refused the GEF grant as it has been proposed for financing from the European Commission. A proposed replacement town is to be identified. In addition, a number of actions to accelerate implementation progress including recruitment of a procurement specialist to follow-up on procurement activities will impact the likelihood of achieving the PDO and GEO. If these actions are achieved by October 2010, the rating may be upgraded during the next supervisory mission.
ECA	Bosnia and Herzegovina	QUALITY PROTECT (GEF)	FSP	S	MU	A supervision mission in February 2010 confirmed that overall IP has accelerated since the last mission in Sept. 2009, and that the project is making some progress towards achieving its DO. Two of three studies have been completed and the third is slated for completion by Oct. 2010. High priority investments in the wastewater sector are presently under, or close to, implementation: rehabilitation of the WWTP in Trnovo has been completed and the plant is ready for operation; rehabilitation of the WWTP in Odzak has started and the plant will be commissioned towards the end of 2010; and, bidding for the rehabilitation of the WWTP in Zivinice is underway, with construction slated to begin in Sept. 2010. The task team has recommended the IP rating be downgraded to MU until signing contracts for the Zivinice sub-project are secured. The task team will work closely with the project management team utilities to facilitate implementation in the coming months.

ANNEX D : Multi-Focal Area Portfolio Performance Ratings – MU and Below

Region	Country	Project Title	Project type	DO Rating	IP Rating	Management Response
AFR	Namibia	Integrated Community-Based Ecosystm Management	FSP	MS	MU	A review of the project's outcome targets indicates shows a total score exceeding 100 % for most of the key performance indicators. However, a serious implementation lag with respect to the planned investments is of concern. Only 36.5% of earmarked funds for component 1 have been disbursed early in year 6 of implementation, and the total undisbursed balance of funds remains high, at 33% of the grant. Overall IP can therefore only be rated as MU. The Bank team analyzed with the project staff the reasons for the low disbursement rate and agreed on a draft work plan for year 6 including a detailed budget for component 1. The work plan includes clear task descriptions, time lines and monitorable milestones.
EAP	Philippines	National Program for Environment and Natural Resource Management	FSP	MS	MU	The project is blended with an IDA loan. The pace of implementation did not improve since the last supervision mission. Several key decisions remained pending, mainly in relation to signing of contracts and as a result, some important activities had not commenced and disbursements had not improved. Procurement performance has therefore been downgraded to MU because of these delays, and government commitment has also been downgraded because of the failure by senior management to take certain key decisions.
ECA	Albania	Integrated Water/Ecosystem management	FSP	MU	MU	Progress towards achievement of the DO is rated as MU since the key performance indicators will likely not be achieved by project closure (31 Dec. 2009). The wastewater treatment plants will not be operational by closing date and the management plan will only just have been completed. Extension of the project should be considered, as additional time allocated to implementation could bring the project back on-track.
IFC	Global	Environmental Business Finance Program (EBFP)	FSP	MU	MS	As noted in previous PSRs, EBFP continues to have difficulty in committing its funds to subprojects. This is the primary risk that this project faces. A key reason for this is that EBFP's criteria (SMEs, thru FIs, with GEF Focal Point endorsement) are constraining and thus not sufficiently attractive to IFC's client banks. Many client banks are hesitant to commit to limiting their sub-project portfolio to SMEs when they have no track record with a new energy efficiency or renewable energy financial product. They would rather take a gradual approach, first gaining comfort with sustainable energy lending to their proven clients, and only then approaching new clients (eg, SMEs) with this new financial product. A second limiting criteria is the difficulty for some projects to obtain GEF Focal Point approval. With the influx of more flexible donor funds, EBFP's resources continue to decline in their attractiveness. The team is diligently working with IFC's Financial Markets Department to identify projects where EBFP's resources can encourage and enable an FI to expand its operations into the SME EE/RE space.

ANNEX E : Persistent Organic Pollutants (POPs) Portfolio Performance Ratings – MU and Below

Region	Country	Project Title	Project type	DO Rating	IP Rating	Management Response
AFR	regional	Africa Stockpiles Program	FSP	MU	MU	Overall implementation performance has continued to improve over the past 6 months, with 4 countries now performing moderately satisfactory to satisfactory (Ethiopia, Mali, Tanzania and Tunisia) and on track for starting disposal in late 2010 or latest early 2011. Continuous support will be provided to the remaining 5 countries to avoid slipping back. However, the PDO as presently, formulated cannot be fully achieved and, as the last quality assessment concluded, it would be impossible to achieve even with more funding as there will always be new accumulation of obsolete pesticides. The focus should therefore be more on sustainable systems. The rating is based on the simple average of all 7 countries. The restructuring exercise underway will focus on making the PDO realistic and measurable for each of the countries, following which the PDO ratings of the 5 remaining ASP countries are expected to be upgraded to S.
EAP	China	Termite Control Demonstration	FSP	MU	U	Project activities as planned are proceeding towards achieving their objectives in the three target provinces: Jiangsu (original focus), Anhui and Hunan (added as per GOC's request), but substantial delays occurred in the procurement and installation of the bait systems and the demonstration of clean-up of a chlordane and mirex (C&M) contaminated site. As a result, the closing date as set (31 Dec. 2010) is unrealistic. A March/April 2010 supervision mission addressed how to overcome the delays and whether an implementation extension was warranted. The Bank team will closely work with the client on the following agreed milestones to be achieved by Sept. 30, 2010: complete installation of about 80% of bait systems procured as of March 2010; site cleanup contract signed and implementation activities launched; three provincial policies and draft national policy completed; and, a detailed plan addressing project savings drafted.
EAP	China	PCB Management & Disposal	FSP	MU	MU	While issues related to procurement, testing, and siting delays for two major investments are close to being resolved, and the trial burn for the Shenyang incinerator has been successfully carried out, delays on the PCB site cleanup activities in Zhejiang continue, and clean-up plans for only two of 35 identified sites are confirmed (pending WB approval). In addition, the operation license for the Shenyang incinerator has not been issued by the authorities therefore incineration of highly-contaminated PCB waste cannot yet begin. During the March-April 2010 supervisory mission, the Recipient expressed interest to extend the project closing date for two years in order to complete the project activities and to fully achieve the original GEO.