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MONITORING AND EVALUATION SYSTEM FOR THE MULTILATERAL FUND
(A Draft Report)

Submission Note

Attached to this Note is the Proposed Monitoring and Evaluation System (Draft) for the Multilateral Fund submitted by Universalia, the consultant contracted for the assignment. The draft System is prepared on the basis of the Concept Paper which was distributed to Members of the Executive Committee on 12 August 1996.

The proposed System (draft) is being presented for approval in principle by the Executive Committee at its 20th Meeting with the intention of incorporating feedback and refinements for consideration by the 21st Meeting.

Multilateral Fund for the Implementation of the Montreal Protocol

Proposed Monitoring and Evaluation System

DRAFT

September 24, 1996

Universalia

5252 de Maisonneuve Ouest #310
Montréal, Québec, Canada
H4A 3S5

Tel (514) 485-3565
Fax (514) 485-3210
UMG@CAM.ORG

Contents

1. Introduction

1.1 Background and Purpose

The Multilateral Fund for the Implementation of the Montreal Protocol was established to assist Article 5 countries in their efforts to eliminate the production and consumption of ozone depleting substances (ODS) in accordance with the Montreal Protocol. The Fund is now financing activities in over 100 countries. Beyond this accomplishment, the question remains of whether the expected progress in reducing ozone depletion is being achieved. The purpose of this document is to propose a system for monitoring and evaluation that will enable all the stakeholders – Article 5 countries, industries, donor parties and Implementing Agencies – to monitor progress and to have the information they require to improve performance of the Fund in achieving its long term goal.

This document follows from an earlier concept paper, *Options for the Design of a Monitoring and Evaluation System for the Multilateral Fund for the Implementation of the Montreal Protocol* (August 1996), that considered three approaches to monitoring and evaluation. The present paper puts forward the specific elements of a suitable monitoring and evaluation system for the Fund. This includes establishment and funding of an evaluation office within the Secretariat, a simplified but fully integrated system for monitoring funded projects, and an approach to evaluation that will generate information on clusters of projects and the impact of the Fund. The proposed system is being presented for approval in principle by the Executive Committee at its 20th meeting with the intention of incorporating feedback and refinements for consideration by the 21st meeting.

1.2 Concept Paper

The Concept Paper defined 'monitoring' and 'evaluation' as follows:

Monitoring is the continuous observation and analysis of project or programme progress, enabling managers to determine whether a project is being carried out and achieving outcomes according to plan and where remedial action is required.

Evaluation is an assessment, as systematic and objective as possible, of an ongoing or completed project, programme or policy, its design, implementation and results. The aim of evaluation is to determine, at a point in time, the continued relevance of programme objectives, the efficiency of efforts to achieve them within a specific context, the effectiveness of a programme in achieving objectives, as well as the impact of a programme and any lessons that can help guide future policy and practice.

The Terms of Reference for the Executive Committee of the Multilateral Fund mandate that: *"the Executive Committee shall draw up reporting criteria and shall invite the implementing agencies to report regularly to it in accordance with those criteria."* As such, reporting criteria have been drawn up for the Fund and various stakeholders are producing regular progress reports against these criteria. In general, the current procedures involve collection and aggregation of data reported by the involved countries and Implementing Agencies. The Concept Paper noted the following findings about the existing monitoring and evaluation system:

- Current reporting practices do not respond to the needs for global monitoring and evaluation of the Fund as a programme.
- Current practices are not sufficiently strategic in nature, focusing at the project level rather than at the level of Fund goals and objectives.
- Current practices are not yet sufficiently independent to serve the needs of a monitoring and evaluation system.
- Improved coordination among Fund stakeholders would increase the efficiency of existing reporting systems and practices.
- In proposing options for the development of a monitoring and evaluation system for the Fund, six essential principles were identified. An effective system:
  - is strategic in nature
  - builds on Implementing Agencies' existing reporting systems
  - is managed efficiently
  - generates credible and impartial information about project/programme performance
  - generates timely and relevant information for the Executive Committee decision-makers
  - provides value-for-money.

Given these principles and the foregoing analysis of the Fund's existing reporting systems, the Concept Paper outlined the following priority recommendations for the development of a monitoring and evaluation system for the Fund:

- to designate and resource an entity within the Secretariat to manage overall monitoring and evaluation for the Fund using external evaluators on behalf of the Executive Committee, and
- to proceed with the development of a framework for monitoring and evaluation based on the operational model with incorporation of feasible (cost-effective) aspects of the logical framework model.

The entity referred to in the first recommendation is proposed to be called the Evaluation Office; its function, structure, role and responsibilities and the expected results of its establishment are presented in section 2. The operational and logical framework models referred to in the second recommendation are outlined below in order to build clarity in understanding the proposed system. As described in the Concept Paper, the two models are:

The **Operational Model** is an enhanced version of existing Fund monitoring and reporting practices. The model builds on existing data collection and reporting systems at the country level and by the Implementing Agencies, but it permits the present mechanisms to be made more efficient by harmonising requirements and reducing the information to a small number of key performance indicators.

The **Logical Framework Model** employs the 'logical framework' as its conceptual structure, thereby providing stakeholders with a means of monitoring and evaluating the causal relationship between the resources expended and the results achieved in a project or programme context. The logical framework allows stakeholders to design and execute projects and programmes within a cause-and-effect framework for describing how and why the project is being carried out. The logical framework also provides stakeholders with a transparent means of measuring progress and outcomes.

Members of the Executive Committee, the Implementing Agencies and the Fund Secretariat provided feedback on the Concept Paper, supporting its two recommendations, while requesting clarification on actual implementation modalities of the proposed system and its implications for Fund stakeholders, particularly the Implementing Agencies. Stakeholders stressed the importance of streamlining reporting systems to avoid duplication and additional work for Implementing Agencies as well as the need to involve Article 5 countries in the evaluation process to reinforce equality, ownership and participation.

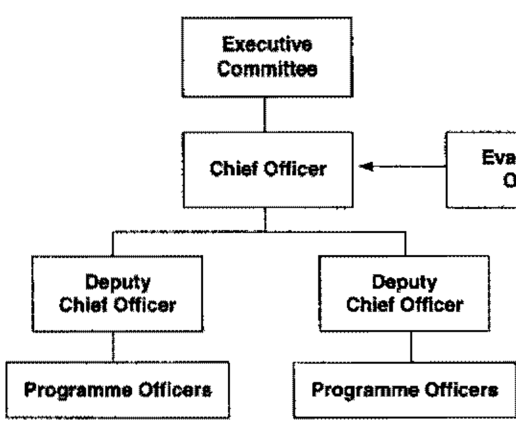
2. Establishment of an Evaluation Office

While recognizing the need to avoid bureaucracy and preserve a flat organizational structure within the Secretariat, we recommend that the Executive Committee proceed with the establishment of a modest Evaluation Office. In reality, the Office would consist of only one full-time officer plus one or more part-time resources; however, the identification of this function with an 'Office' is important in acknowledging the central role of monitoring and evaluation to the efficient and effective operation of the Fund. Furthermore, the Office would initiate budgeting and contracting of external evaluations.

Structure of the Office

It is recommended that the Evaluation Office be part of the Fund Secretariat and report to the Executive Committee through the Chief Officer. The suggested structure is depicted below.

Placement of the Evaluation Office within the Multilateral Fund Secretariat

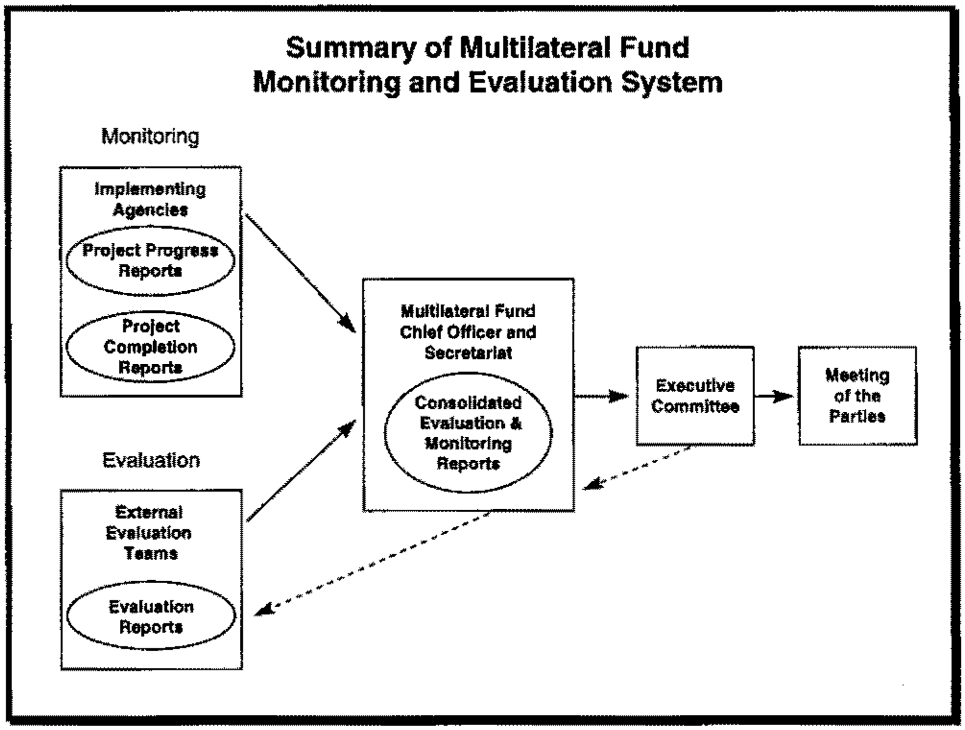


3. The Monitoring and Evaluation System

3.1 Overview

The proposed system operates at two levels: monitoring and evaluation. In general, monitoring within the system builds on existing reporting systems without verification of the reported information (except through auditing as described in section 4.5). Monitoring is used to gauge Fund performance. Evaluation goes beyond the present data reporting systems to generate information through independent and external sources so that the impact of the Fund can be assessed.

The proposed system uses monitoring and evaluation to generate information that the Executive Committee can use to improve the efficiency, effectiveness and impact of the Fund. The overall system is depicted below.



In the proposed system, the Fund Secretariat would receive monitoring information from the Implementing Agencies in the form of project progress reports and project completion reports, as is now the practice. The proposed system, however, would improve and simplify current information as described later in the paper, and the Fund Secretariat would analyze information by exploring patterns in data grouped by sector, theme, implementing agency, country, and so forth. Such analyses would lead to issues and questions to be explored further through external evaluations as agreed by the Executive Committee. The Secretariat would report to the Executive Committee in a report that consolidates monitoring and evaluation information, and the Executive Committee would take action by referring appropriate matters to the Meeting of the Parties or by commissioning external evaluations.

3.2 Costs of the Monitoring and Evaluation System

The costs of the proposed monitoring and evaluation system include costs of ongoing monitoring within the Secretariat, the additional costs of the Evaluation Office, the costs of audits, and the funds allocated to external evaluations. The last item is the largest new cost and would depend on the number and scope of external evaluations the Executive Committee believes will provide value for the money invested. As we have assumed that directly involved stakeholders will bear the costs of their involvement, evaluation costs will also depend on the extent of involvement of Article 5 countries and Implementing Agencies in evaluation teams. We estimate the costs of external evaluations to be up to twice what is being currently spent for country programme preparation (i.e. external evaluation would cost $40,000 - $160,000 per evaluation, depending on the sector, country, theme and scope). Auditing of Implementing Agency reports is another variable cost that depends on the desired extent of such auditing. Overall costs of the monitoring and evaluation function would be approved by the Executive Committee through an annual workplan of the Evaluation Office.

3.3 Monitoring and Evaluation Roles and Responsibilities

An effective and efficient system for monitoring and evaluation requires all of the stakeholders to exercise responsibility for aspects that fall within their mandates. The major dimensions of such responsibility are as follows:

Meeting of Parties

The Meeting of the Parties:

- oversees all aspects of monitoring and evaluation of the Fund
- responds to evaluation by undertaking measures required to improve Fund performance.

Note that the proposed evaluation and monitoring system relates to activities supported by the Fund. Compliance of partners to the Montreal Protocol is not included in the system proposed, although it is a vital aspect of overall performance that the Meeting of Parties may wish to consider in future.

Executive Committee

The proposed Evaluation Office is a tool of the Executive Committee enabling it to understand what is taking place. Hence, the role of the Executive Committee is to:

- set evaluation policy
- refer specific issues for evaluation to the Evaluation Office
- initiate audits of Implementing Agency reports as warranted
- provide resources for monitoring and evaluation
- review consolidated monitoring and evaluation reports
- take action on evaluation reports, and provide reports to the Meeting of Parties
- incorporate lessons learned through monitoring and evaluation in future policies.

Implementing Agencies

The Implementing Agencies:

- prepare annual business plans that include monitoring and evaluation
- conduct project evaluations according to established policies and procedures of the involved agencies (This is an internal matter for Implementing Agencies, and does not directly affect the proposed system.)
- provide project progress reports to the Evaluation Office following agreed guidelines and directives
- provide project completion reports to the Evaluation Office following agreed guidelines and directives
- cooperate in audits as warranted
- designate representatives to participate in evaluation teams
- incorporate the results of monitoring and evaluation into annual business plans.

Article 5 Countries

Involvement of Article 5 countries is key to improving the performance of the Fund in reduction of ODS. Article 5 countries:

- ensure that ozone units have capacity to cooperate in evaluation within existing budgetary allocations by the Multilateral Fund
- provide monitoring and evaluation data through involved ministries and ozone units
- designate representatives to assist the external evaluation teams
- use the results of evaluation to inform and update Country Programmes
- act on monitoring and evaluation directives from the Executive Committee.

Evaluation Office

The Secretariat's Evaluation Office:

- develops an annual evaluation and monitoring workplan and budget for the Executive Committee
- liaises with evaluation units in Implementing Agencies
- liaises with bilateral agencies involved in ODS reduction
- analyzes project progress and completion report data submitted by Implementing Agencies
- manages external evaluations
- manages any required external audits of Implementing Agency reports
- reports to the Executive Committee semi-annually
- prepares, for Executive Committee review, directives for Implementing Agencies' monitoring and reporting activities
- maintains a data base of lessons learned.

4. The Monitoring Function

4.1 Purpose

Monitoring and evaluation are complementary aspects of the whole system; however, the specific purposes of the monitoring function are:

- to provide information for decision-making to the Executive Committee about the progress of projects it funds, including:
  - the overall efficiency and effectiveness of its portfolio of funded projects
  - the efficiency and effectiveness of clusters of projects, including projects grouped by sectors, themes, Implementing Agencies and countries
  - any issues that should be the subject of external evaluations
- to provide Implementing Agencies with information on their performance that could help them fulfill the goals of their business plans
- to provide Article 5 countries with information that could help them achieve the implementation of their Country Programme objectives.

4.2 Responsibility

The responsibility for monitoring is shared by Implementing Agencies and the Evaluation Office. The Implementing Agencies are required to provide information through simplified project progress and completion reporting to support aggregation of performance data by the Evaluation Office. The Implementing Agencies would cooperate to develop simplified indicators on which to report as described below.

4.3 Simplified Key Indicators for Implementing Agency Reporting

In practice, each project would be monitored using a simple data set that includes information currently in project progress reports with the information from the completion report added when the project terminated. Building on the reactions to the Concept Paper, this summary would incorporate aspects of a logical framework approach as shown in simplified fashion below.

Outline of the Structure of Project Monitoring Data Base

Project Description:	Date approved, sector, country, implementing agency, etc.
Inputs:	Planned and actual expenditures at project level, etc.
Outputs:	Amount of ODS reduction technology installed; amount of old technology phased-out, etc.
Purpose:	Planned and actual ODS phase-out, etc.

Section 7 provides an expanded set of such indicators; however, actual indicators need to be developed jointly by the Evaluation Office and the Implementing Agencies.

4.4 Analysis of the Data Base by the Evaluation Office

The Evaluation Office would receive the information on each project and could then process this information by sorting it and summarizing the results. The major sorting would be:

- Projects analyzed by country
- Projects grouped by Implementing Agency
- Projects in each user sectors
- Projects relating to priority themes
- Etc.

The analysis would provide the Executive Committee with information about overall Fund performance as well as performance in particular sectors, countries, or according to themes or other such groupings of interest and importance. Section 6 on reporting indicates the type of information that is considered most important.

4.5 Auditing of Data Provided by the Monitoring Function

The proposed monitoring system relies on data reported by Implementing Agencies using established procedures. These reports could be periodically audited to help ensure the validity of the information provided. However, in this paper we have emphasized monitoring and evaluation as a way of generating knowledge useful to Fund stakeholders rather than as a way to help ensure compliance with the operating policies and guidelines of the Multilateral Fund. Thus, we leave the auditing aspect as a matter distinct from the overall system proposed here.

5. The Evaluation Function

5.1 Purpose

Unlike monitoring, evaluation goes beyond self-reporting to provide information generated by independent means that helps assess how the Fund is performing relative to its overall purpose. The specific purposes of evaluation within the proposed system are:

- to enable the Meeting of the Parties to monitor and evaluate overall Fund performance
- to provide the Executive Committee with independent information on the impact of the Fund in reducing ODS
- to provide Article 5 countries with evaluation information to assist them in achieving the implementation of their Country Programme objectives through improved estimation of baseline data and periodic assessment of progress in reducing ODS in relation to such baselines
- to provide the Executive Committee, countries and Implementing Agencies with analyses of factors influencing the implementation of country programmes, and the impact of investment and non-investment projects in reducing ODS.

5.2 Responsibility

The Evaluation Office recommends to the Executive Committee project activities of the Fund within particular countries, sectors, themes, etc., that should be evaluated (see section 7). The Office manages the evaluation process using external evaluation consultants and reports findings, conclusions and lessons learned to the Executive Committee.

5.3 Procedure

The Evaluation Office would recommend to the Executive Committee that certain evaluations be conducted and at what cost. This would normally occur as part of the Evaluation Office's workplans (see sections 6 and 7), although special evaluation requests could be handled in the same way. The general procedure would be as follows:

1. **Development of Terms of Reference** – Each external evaluation would be guided by explicit terms of reference following standards of the evaluation profession.
2. **Issues for Evaluation** – Following the evaluation procedures used in many bilateral and multilateral programmes, the following issues would normally be addressed:
   - Effectiveness – The extent to which the funded projects produced the expected outputs.
   - Effects and Impacts – As defined in the logical framework analysis approach, effects and impacts refer to the planned and unplanned consequences of projects (effects generally relate to the project purpose and impacts relate to the project goal).

- Efficiency – The extent to which inputs of funded projects were supplied and managed in the most appropriate manner at the least cost to produce the necessary outputs.
- Rationale – The extent to which the context of projects supported their success. This includes the limiting factors in the country context and the assumptions identified in the project's logical framework analysis.

3. **Contracting of External Evaluators** – External evaluators would be contracted to lead the evaluation process and they would be supported by representatives of concerned stakeholders as appropriate. In the case of evaluation within a specific country, teams would include a representative of the Article 5 country in which the activities are to be evaluated. Normally, evaluation teams would include persons with expertise in programme evaluation, finance, ODS reduction and sectoral technologies, and the country context. Typically, teams would consist of three to five persons.
4. **Evaluation Workplans** – Evaluators contracted to conduct evaluations would be required to submit approved workplans that specify what is to be done, when it is to occur and at what cost.
5. **Evaluation Reports** – Evaluation reports would analyze the overall performance of activities supported by the Fund in a country, sector or on a particular theme. They would evaluate the impact of Fund-sponsored activities and any factors within the country, sector or theme (such as those identified as assumptions in the logical framework) that may be affecting their intended results.

5.4 Relation to Country Programmes

It is anticipated that many evaluations would focus on activities within a specific country. In these cases, the evaluation process is seen as a means to support the country's efforts in implementing its Country Programme; however, this link is not a formal one. Evaluation would analyze the performance of what was actually funded rather than the country programme *per se*. The country owns the Country Programme and the evaluation process merely provides the country with information that might be useful in establishing or updating the country ODS baseline, or to generate knowledge about factors that may be limiting performance.

5.5 Relation to Implementing Agencies

All evaluations should be of interest to Implementing Agencies who are in a position to improve implementation of future projects. In some evaluations it would be desirable to involve Implementing Agencies, as appropriate, as part of the evaluation team.

6. Reporting to the Executive Committee

The Evaluation Office would report to the Executive Committee, through the Chief Officer, twice each year for monitoring and once for evaluation. The outline of a typical consolidated report is shown below:

Outline of Evaluation Office Consolidated Report to the Executive Committee

Executive Summary

Issues for action by the Executive Committee

Major findings and conclusions

Profile Of Projects Supported By The Fund

Summary description of completed projects by country, sector, theme, etc.

Summary description of active projects by country, sector, theme, etc.

Status Of Project Implementation

Efficiency of project implementation

Comparisons among implementing agencies

Status Of Project Outputs

Amount of technology implemented

Amount of technology de-commissioned

Planned-to-actual comparisons

Performance Of The Fund In Achieving Its Purpose

ODS phase-out

Qualitative assessment of Fund performance

Lessons learned that could enhance future performance

External Evaluation

Summary of findings

Recommended studies

7. A Dynamic Interactive System to Improve Fund Performance

The Concept Paper identified a number of limitations of the current reporting system (see section 1.2). The proposed monitoring and evaluation system accommodates these limitations:

- The need for global monitoring and evaluation of the Fund as a programme – By combining monitoring and evaluation and aggregating data as described, the system can give an overall view of the Fund's effectiveness in contributing to the global reduction of ODS.
- Current practices are not sufficiently strategic – The evaluation function targets strategic priorities most crucial for performance of the Fund.
- Current practices are not yet sufficiently independent – The proposed system includes external evaluation as an independent process and can incorporate auditing of Implementing Agency reporting as required.
- Improved coordination would increase efficiency – The system proposes to increase coordination with Implementing Agencies in harmonizing and refining the project reporting data base. It also proposes involving countries directly in evaluations affecting countries so that benefits can be derived immediately in achieving the implementation of Country Programme objectives.

Furthermore, the proposed system accommodates the six identified principles for an effective system (see section 1.2). The proposed system is a dynamic interactive system with information flowing in ways that permit analysis that informs those committed to the global reduction of ODS. It begins with monitoring that takes information reported by Implementing Agencies, provides analyses by the Evaluation Office which then reports to the Executive Committee with recommendations for needed evaluation. The results of evaluation provide both the Executive Committee and involved countries with information that can assist their efforts to achieve ODS reduction as efficiently as possible.

An outline of this dynamic interactive system using specific indicators for illustrative purposes is shown in the table on the following pages.

Illustrative Monitoring Indicators, Analyses by the Evaluation Office and Issues for External Evaluation

PROJECT PERFORMANCE INDICATORS FOR IMPLEMENTING AGENCY REPORTS	FUND PERFORMANCE INDICATORS FOR EVALUATION OFFICE CONSOLIDATED REPORTS	SAMPLE EVALUATION QUESTIONS RAISED IN EVALUATION OFFICE CONSOLIDATED REPORTS
Project Description: • date of approval • status • agency • project title • project type • country location • sector • approved project budget • baseline ODS consumption	Fund Description: • number of projects by status, agency, country, sector, region, project type • total approved funding • approved funding by agency, country, sector, region, project type	Descriptive Questions: • Is there adequate balance in Fund coverage by country, sector, region, agency? • What can be done to ensure a balanced portfolio in the future?
Project Input Indicators: • planned project expenditures • actual project expenditures to date at project level • date of approval • date of 1st expenditure • planned date of completion • revised date of completion	Fund Input Indicators: • planned to actual rates of expenditure by agency, country, sector, region, project type • % of projects experiencing delays in project start-up (approval to 1st expenditure) by country, sector, agency, type • average number of months delay between approval and 1st expenditure by country, sector, agency, type • % of projects experiencing delays in project completion by country, sector, agency, type • average number of months delay in project completion by country, sector, agency, type	Questions About Inputs: • Is performance at the input level significantly different for some sectors, regions, countries, agencies or types of projects over others? • Are variances in planned to actual rates of expenditure sufficient to warrant greater analysis or evaluation of underlying causes at the agency, country, sector, or regional levels? • Are delays in project start-up or completion sufficient to warrant evaluation of underlying causes at the agency, sector, country or regional level? • What can be learned from studying the causes of delays and variances to improve Fund performance in the future?

PROJECT PERFORMANCE INDICATORS FOR IMPLEMENTING AGENCY REPORTS	FUND PERFORMANCE INDICATORS FOR EVALUATION OFFICE CONSOLIDATED REPORTS	SAMPLE EVALUATION QUESTIONS RAISED IN EVALUATION OFFICE CONSOLIDATED REPORTS
Project Output Indicators: • % of planned technology installed • % of planned technology decommissioned • % of planned government systems, structures operational • % of planned training completed • % of planned technical assistance delivered • % of planned information products disseminated	Fund Output Indicators: • % of technology installed by agency, sector, country, region • % of technology decommissioned by agency, sector • % of planned systems, structures established by country, region • % of training completed by agency, sector • % of information products disseminated by agency, sector	Questions About Outputs: • Is performance at the output level significantly different for some sectors, countries, regions, agencies or types of projects than for others? • Are delays in the achievement of implementation targets sufficient to warrant evaluation of the causes at the sectoral, country, agency or regional level? • What can be learned from studying the causes of delays to improve Fund performance in the future?
Project Purpose Indicators: • planned ODS phase-out • actual ODS phase-out • degree to which government policy, regulations, systems, structures effective in promoting ODS phase-out at country level • degree to which training/information products being used to promote ODS phase-out • degree to which local capacity built to use new technology	Fund Purpose Indicators: • ratio of planned to actual ODS phase-out by country, sector, agency • qualitative measures of project performance will be aggregated by country, sector, agency using a 5 point scale of project performance (Highly Successful to Unsuccessful)	Questions About Fund Performance: • To what extent are overall Fund targets being achieved with regard to ODS phase-out globally? • Given current progress indicators, is the Fund adequately supporting Protocol targets of total phase-out by 2010? • Are there any policy/operational measures which should be taken to improve Fund performance and impact?

8. Proposed Action Plan

It is proposed that at its 20th meeting the Executive Committee approve the proposed system in principle and initiate the following operational steps.

1. Establishment of an Evaluation Office as described together with designation of a Senior Evaluation Officer from the staff of the Secretariat, to head this function, and an initial operating budget
2. Immediate revision of the existing monitoring system in line with simplified, key indicators for Implementing Agency and Secretariat reporting
3. Preparation of terms of reference and costing for four 'experimental' external evaluations:
   - of Fund activities in a suitable 'small' Article 5 country
   - of Fund activities in a suitable 'medium' Article 5 country
   - of Fund activities in a suitable 'large' Article 5 country
   - of Fund impact on the aerosol sector (or some other 'mature' sector)

   These experimental evaluations would be prepared for launching subsequent to approval by the Executive Committee at its 21st meeting. The intention is to gain experience with the external evaluation process and see what can be learned that will assist the Executive Committee and involved countries in their efforts. The results of these evaluations should be available for the 23rd meeting.
4. Development of a costed Evaluation Office workplan for consideration by the Executive Committee at its 22nd meeting.