Global Environment Facility

GEF/ME/C.30/5
November 6, 2006

GEF Council
December 5-8, 2006

Agenda Item 8

MANAGEMENT RESPONSE TO: EVALUATION OF THE EXPERIENCE OF EXECUTING AGENCIES UNDER EXPANDED OPPORTUNITIES IN THE GEF

(Prepared by the GEF Secretariat in consultation with the Implementing and Executing Agencies)

EXECUTIVE SUMMARY

This is the management response to document, GEF/ME/C.30/4, *Evaluation of the Experience of Executing Agencies under Expanded Opportunities,* an evaluation implemented by the GEF Evaluation Office in response to a request from the GEF Council. The GEF Secretariat would like to thank the GEF Evaluation Office for having implemented this evaluation and the Executing Agencies for their contributions.

The GEF Secretariat generally agrees with the conclusions and recommendations of the evaluation. The CEO, after consultation with the GEF Implementing and Executing Agencies, has proposed the following steps to level the playing field among the GEF agencies and to strengthen the engagement of the Executing Agencies under Expanded Opportunities, as documented in GEF/C.30/9, *Roles and Comparative Advantage of the GEF Agencies*.

(a) The seven Executing Agencies under Expanded Opportunities will be granted direct access to GEF funding based on their comparative advantages;

(b) The current corporate budget for the Implementing Agencies will be abolished as of FY08;

(c) The project cycle management fee applicable to all GEF agencies will be increased from 9 percent to 10 percent;[1]

(d) The increased fee of 1 percent will be used by all GEF agencies to contribute to the corporate activities of the GEF.

(e) All GEF agencies should focus their involvement in GEF project activities within their respective comparative advantages and assigned primary roles; and

(f) The role of the GEF agencies will be assessed in view of their comparative advantages during the Project Concept Review.

[1] The total fee amount for any Agency in a fiscal year cannot exceed what it would have received at a 9% fee+$3million which it would have received as corporate budget.

INTRODUCTION

2. This is the management response to document, GEF/ME/C.30/4, *Evaluation of the Experience of Executing Agencies under Expanded Opportunities*, an evaluation implemented by the GEF Evaluation Office in response to a request from the GEF Council. The objective of the evaluation was to identify the key barriers to an appropriate involvement of the Executing Agencies and to provide recommendations to enhance the involvement of the Executing Agencies.

3. The Executing Agencies' portfolio of GEF projects is still young and small, and the Evaluation therefore focuses on the barriers encountered by the Executing Agencies in utilizing their access to GEF funding rather than analyzing the Executing Agencies' actual contributions to the GEF.

4. The GEF Secretariat generally agrees with the conclusions and recommendations of the Evaluation. Several steps have already been taken in consultation with the GEF Implementing and Executing Agencies to level the playing field among the GEF agencies and to strengthen the engagement of the Executing Agencies under Expanded Opportunities.

5. The GEF Secretariat would like to thank the GEF Evaluation Office for having implemented this evaluation and the Executing Agencies for their contributions.

Findings and Conclusions

6. The conclusions of the Evaluation are summarized as follows:

- (a) Conclusion 1: The Executing Agencies with Expanded Opportunities face structural constraints in the GEF.
- (b) Conclusion 2: The Executing Agencies are not involved as equal partners in the preparation of new GEF policies, strategies and programs and in management of the GEF portfolio.
- (c) Conclusion 3: There is no "level playing field" for the Executing Agencies when preparing project proposals.

The GEF Secretariat finds that these conclusions are strongly interlinked.

7. The Evaluation finds that the quality of projects proposed by the Executing Agencies for inclusion in the GEF Work Program is on par with international quality standards, and that the ability to ensure co-financing is comparable to the Implementing Agencies, with a similar pattern between the Banks and the UN agencies. The Evaluation does not document any difference in the success rate and processing time of project proposals between the Executing and the Implementing Agencies.

8. The major factors identified by the Evaluation as drivers of the observed constraints and inequality include: lack of transparency and predictability, especially with respect to policy shifts and resource allocation, inadequate and irregular flow of information, and complicated operational policies and procedures. These conditions are basically the same for Executing and Implementing Agencies, but the Executing Agencies' limited experience with the GEF makes it more difficult for them to adapt to these conditions. There is also a chicken-and-egg aspect to the observed situation: a small project portfolio makes it more difficult to gain the experience and the motivation to invest resources in getting involved in upstream policy and programming activities.

9. The GEF Secretariat acknowledges a number of factors, where the Executing Agencies have had a distinct disadvantage compared to the Implementing Agencies:

(a) The limited direct access to GEF funding granted to the UN Executing Agencies based on specific GEF business needs rather than reflecting their comparative advantages;

(b) Only the Implementing Agencies have received a corporate core budget; and

(c) Several corporate activities related to policy development and programming have not included the Executing Agencies.

Recommendations

Recommendation 1:Immediate action can be taken to involve the Executing Agencies consistently in GEF policy and strategy development and decision making.

Recommendation 2: The interaction with recipient countries and the preparation of project proposals should provide a "level playing field" for Implementing and Executing Agencies.

10. The GEF Secretariat agrees with these two recommendations and the CEO has already proposed a number of steps following consultations with the Executing and Implementing Agencies in order to level the playing field between the GEF agencies:

(a) The seven Executing Agencies under Expanded Opportunities will be granted direct access to GEF funding based on their comparative advantages;

(b) The current corporate budget for the Implementing agencies will be abolished as of FY08;

(c) The project cycle management fee applicable to all GEF agencies will be increased from 9 percent to 10 percent;[2]

[2] The total fee amount for any Agency in a fiscal year cannot exceed what it would have received at a 9% fee plus the $3million which it would have received as corporate budget.

(d) The increase in fee of 1 percent will be used by all GEF agencies to contribute to the corporate activities of the GEF.

(e) All GEF agencies should focus their involvement in GEF project activities within their respective comparative advantages and assigned primary roles; and

(f) The role of the GEF agencies will be assessed in view of their comparative advantages during the Project Concept Review.

These actions are proposed to Council for approval under Agenda Item XX (GEF/C.30/XX).

Recommendation 3: The GEF should set in motion a longer term process of evaluating its core partnership philosophy and the consequences for the structure of the GEF, including a final assessment of these issues in the Fourth Overall Performance Study

11. The GEF Secretariat in principle agrees with this recommendation and finds that the concrete steps mentioned above will allow the Executing Agencies to significantly enhance their engagement in the GEF, to the mutual benefit of all the partners of the GEF. A full exploitation of this enlarged potential will require a major effort and investment of resources by the Executing Agencies.

12. The GEF Secretariat finds that a renegotiation of the Memoranda of Understanding with the Executing Agencies, as suggested by the Evaluation (paragraph 38) is not required. Only the MoU with IFAD includes a thematic focusing of the Agency's engagement, *in casu* to projects related to land degradation, which correctly describes the relevant scope of IFAD's comparative advantage within the GEF. The ongoing UN Reform may change the general roles of the UN agencies and thereby impact on their future engagement with the GEF.

13. A number of ongoing reforms of general GEF policies and operations will contribute to improve the overall transparency of the GEF and thereby help all GEF agencies, especially the Executing Agencies, to enhance their engagement. This includes first and foremost the streamlining of the GEF project cycle following the recently completed Joint Evaluation.

14. The Evaluation suggests that additional international organizations may be included as new Executing Agencies in the GEF. In principle, the GEF Secretariat is open to this suggestion but finds that such a step would require a thorough assessment of the potential candidate agencies, their potential for adding value to the GEF, and the consequences for the overall structure and function of the GEF of a wider expansion of the partnership. The GEF Secretariat finds that such an analysis should await the outcome of the UN Reform. The Fourth Overall Performance Study of the GEF would be a good opportunity to begin this process.