

Evaluation of the Experience of Executing Agencies under Expanded Opportunities in the GEF



**Global Environment Facility
Evaluation Office**

Evaluation of the Experience of Executing Agencies under Expanded Opportunities in the GEF

May 2007

*(The main findings and recommendations of this
evaluation were presented to the GEF Council in
December 2006.)*

Evaluation Report No. 35

© 2007 Global Environment Facility Evaluation Office
1818 H Street, NW
Washington, DC 20433
Internet: www.theGEF.org
Email: gefevaluation@thegef.org

All rights reserved.

The findings, interpretations, and conclusions expressed herein are those of the authors and do not necessarily reflect the views of the GEF Council or the governments they represent.

The GEF Evaluation Office does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of the GEF concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Rights and Permissions

The material in this work is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. The GEF encourages dissemination of its work and will normally grant permission promptly.

ISBN-10: 1-933992-07-7

ISBN-13: 978-1-933992-07-5

Credits

Director of the GEF Evaluation Office: Robert D. van den Berg

Evaluation Team: Siv Tokle (Task Manager), Senior Evaluation Officer, GEF Evaluation Office; Oscar Gonzalez-Hernandez (Team Leader), consultant; and Omar Lyasse and André Rodrigues Aquino, consultants

Editing and design: Nita Congress

Printing: Graphic Communications

Cover photo: Photodisc by Getty Images

Evaluation Report No. 35

A FREE PUBLICATION

Contents

Foreword.....	v
----------------------	----------

Abbreviations.....	vi
---------------------------	-----------

Evaluation of the Experience of Executing Agencies under Expanded Opportunities in the GEF	1
1 Introduction.....	1
2 Scope, Methodology, and Portfolio Overview	2
3 Context and Recent Developments.....	3
4 Findings and Conclusions	5
5 Recommendations.....	8
6 Issues for the Future.....	9
Notes.....	10

Annexes

A. The Evolution of Expanded Opportunities to Executing Agencies and the Legal Framework.....	11
B. Executing Agencies GEF Portfolio Overview	40
C. SWOT Analysis: Enhancing the Participation of the Executing Agencies in the GEF	56
D. Management Response	70

References	73
-------------------------	-----------

Figure

1 ExA portfolio distribution (approved FSPs and MSPs)	4
--	---

Tables

1 Direct access portfolio of ExAs in GEF-3 Work Programs	7
2 Indirect access portfolio of ExAs in GEF-3 (aggregated data)	7
3 Overview of UNIDO enabling activities portfolio in GEF-3	7

Foreword

In 1999, the Global Environment Facility (GEF) Council approved expanded opportunities to undertake GEF projects for seven Executing Agencies (ExAs): the Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, Food and Agriculture Organization of the United Nations, Inter-American Development Bank, International Fund for Agricultural Development, and United Nations Industrial Development Organization. However, their involvement in the GEF did not grow as expected. The 2005 policy recommendations for the GEF Trust Fund's fourth replenishment stated that there remains significant potential for enhancing the involvement of these Agencies, and asked the GEF Evaluation Office to review their experience with the GEF. The GEF Council approved the evaluation as a special initiative in June 2006.

The evaluation objective was to review the experience of the seven ExAs in working with the GEF and provide recommendations to enhance their involvement. The evaluation was conducted in close coordination with the Joint Evaluation of the GEF Activity Cycle and Modalities. The ExAs, as well as the Implementing Agencies (IAs) and other key stakeholders, were consulted individually and through a series of workshops and meetings. The evaluation findings were presented and discussed at a workshop in New York in September 2006.

In December 2006, the Council granted the ExAs direct access to GEF funding based on their com-

parative advantages, and welcomed the proposals to promote a more level playing field between the IAs and ExAs. The Council decided to abolish the IAs' corporate budget and increase the project fee to 10 percent, while expecting that both IAs and ExAs will participate in corporate activities. The Evaluation Office will consider an assessment of these issues and possible consequences for the GEF structure in the Fourth Overall Performance Study.

The evaluation benefited from the valuable support of the GEF ExAs. The Agencies provided data and background papers on their comparative advantages, and ensured effective participation in the consultation workshops. The evaluation task manager was Siv Tokle, Senior Evaluation Officer, who led the evaluation design and oversaw the writing of the main report. Team leader Oscar Gonzalez-Hernandez led the data collection and analysis. Consultants Omar Lyasse and André Aquino played a key role in interviewing Agency officials and in writing the main report and technical papers. I would like to thank all those who contributed through their time and willingness to talk to the evaluators.



Rob D. van den Berg
Director, Evaluation Office

Abbreviations

ADB	Asian Development Bank	MSP	medium-size project
AfDB	African Development Bank	NGO	nongovernmental organization
APR	annual performance report	OPS	overall performance study
CEO	Chief Executive Officer	PDF	project development facility
DMC	developing member country	PMIS	Project Management Information System
EBRD	European Bank for Reconstruction and Development	POP	persistent organic pollutant
ExA	Executing Agency	RAF	Resource Allocation Framework
FAO	Food and Agriculture Organization of the United Nations	RBM	results-based management
FSP	full-size project	RDB	regional development bank
FY	fiscal year	RMC	regional member country
GEF	Global Environment Facility	STAP	Scientific and Technical Advisory Panel
IA	Implementing Agency	SWOT	strengths, weaknesses, opportunities, and threats
IDB	Inter-American Development Bank	UN	United Nations
IFAD	International Fund for Agricultural Development	UNDP	United Nations Development Programme
M&E	monitoring and evaluation	UNEP	United Nations Environment Programme
		UNIDO	United Nations Industrial Development Organization

Evaluation of the Experience of Executing Agencies under Expanded Opportunities in the GEF

1 Introduction

The participation in the Global Environment Facility (GEF) of Agencies other than the GEF Implementing Agencies (IAs) was foreseen at the outset.¹ The Council paper “Expanded Opportunities for Executing Agencies” (GEF 1998) reviewed the experience and potential of expanding opportunities for Executing Agencies (ExAs) to help undertake GEF projects. Four reasons were provided for such expansion:

- Leveraging additional resources for the global environment
- Increasing capacity to deliver high-quality projects
- Drawing on diversified ideas and experiences
- Reducing and sharing the administrative costs of project implementation, essentially to stabilize the growth of the corporate budget

At that time, collaboration existed between the IAs and the Asian Development Bank (ADB); the Inter-American Development Bank (IDB); and several bilateral assistance agencies, nongovernmental organizations (NGOs), and foundations. Three options were provided for the way forward: business as usual, expanding the shared implementation arrangements, and introducing full responsibility for implementation in selected

cases. The costs to the GEF of the latter option were considered the lowest.

The GEF Council further expanded these opportunities in May 1999 with the aim of increasing the capacity to prepare, implement, and mobilize resources for global environmental projects (GEF 1999). Initially, the regional development banks (RDBs) were included in this effort. Three United Nations (UN) agencies followed in subsequent years, in light of new focal areas of the GEF for which these agencies were considered to have comparative advantages—the International Fund for Agricultural Development (IFAD), land degradation; and the Food and Agriculture Organization of the United Nations (FAO) and the United Nations Industrial Development Organization (UNIDO), persistent organic pollutants (POPs).

The experiences with the ExAs under Expanded Opportunities were reviewed regularly. An extensive review took place in 2003 (GEF 2003). Although progress was noted, the review also concluded that to fully exploit the comparative advantages of the ExAs, the Agencies would need to be able to access GEF funding more directly in the preparation of projects and be able to propose projects directly to the GEF Council. On the basis of this review, the ExAs were granted direct access to GEF funding within their agreed scope for GEF operations. The four regional banks received direct access for all focal areas, and the three UN

agencies were given direct access in the areas in which they were considered to have comparative advantages. The ExAs would assume full legal and financial accountability to the Council for the projects they implemented under direct access.

The policy recommendations for GEF-4 noted that significant potential for enhancing the involvement of these Agencies remained and asked the GEF Evaluation Office to prepare a review of the experience of the ExAs for Council consideration in December 2006 (GEF 2005). In June 2006, the GEF Council confirmed this request and decided to finance this evaluation as a special initiative. The ExAs announced at the meeting that they would support the evaluation through in-kind contributions, ensuring that the evaluation would be given full access to their experiences. This evaluation aims to identify key barriers to an appropriate involvement of the ExAs and provide recommendations to enhance the involvement of the ExAs in the GEF.

In early 2006, the GEF Secretariat reviewed the “Comparative Advantages and Complementary Roles of the Implementing Agencies and Executing Agencies of the GEF” (GEF 2006a). The ExAs prepared a joint response to this review, which noted that both their knowledge and resources were still underutilized by the GEF and recipient countries, and suggested that further steps should be taken to accelerate their engagement in GEF operations (GEF ExAs 2006).

2 Scope, Methodology, and Portfolio Overview

The GEF portfolio of ExAs with direct access is still relatively recent and thin. This means that the results of ExA involvement in terms of global environmental benefits could not yet be established in this evaluation. The evaluation focuses on process issues and on quality at entry of project proposals

as well as on current levels of involvement of the ExAs in the GEF.

The evaluation made full use of the Joint Evaluation of the GEF Activity Cycle and Modalities regarding the portfolio of the ExAs and information on the involvement of the ExAs at the country level. By combining the data from the Joint Evaluation with additional desk reviews and interviews, a comprehensive overview of issues was gathered and analyzed.

The evaluation applied a combination of documentation review from a variety of sources (GEF Council, GEF Secretariat, GEF Evaluation Office, ExAs, and IAs); analysis of the ExA GEF portfolio; and semi-structured interviews with key stakeholders—namely the GEF Secretariat, the three IAs, all ExAs (focal points and operational staff), and a few Council members—to gain insights from their various perspectives. The evaluation benefited from the Joint Evaluation’s detailed notes on its extensive interviews with stakeholders in the field.

Desk reviews were carried out for a focused quality-at-entry assessment of ExA projects by analyzing the available project documentation against a subset of the GEF operational principles. Use was made of earlier quality assessments, specifically the monitoring and evaluation (M&E) quality-at-entry assessment that was prepared for the 2005 *Annual Performance Report 2005* (GEF EO 2006). For the latter, a total of 74 full-size projects (FSPs) that were endorsed by the Chief Executive Officer (CEO) in FY 2005 were assessed; 68 of these were IA projects, and 6 had ExA involvement (equally split between direct and indirect access). Additionally, due attention was given to the processing of selected projects where ExAs participated in different capacities, either as a lead agency or contributing to a joint effort.

Participation at the Third General Assembly of the GEF was useful in conducting interviews and identifying issues affecting expanded opportunities. On September 27, 2006, a workshop organized by the GEF Evaluation Office in New York allowed the presentation and discussion of the first findings of the present evaluation to the ExAs and collection of their reactions and suggestions.

Data on the ExA portfolios were obtained from the Joint Evaluation database, for which the project data were verified by all concerned Agencies. Nevertheless, discrepancies may still exist with Agency data, since the establishment of a fully reliable and up-to-date GEF project management information system with data reconciliation is still a work in progress.

An analysis was carried out to identify the strengths, weaknesses, opportunities, and threats (SWOT) for enhanced involvement of the ExAs in the GEF. This SWOT analysis provided the basis for the formulation of main findings and recommendations. Supporting documentation on the historical evolution of the expanded opportunities, quality-at-entry and portfolio issues, and the SWOT analysis appears in the technical papers provided in annexes A, B, and C, respectively.

As of January 2006, there were a total of 38 approved projects with ExA involvement, representing both direct access and indirect access projects; the latter include jointly implemented projects from the pilot phase through GEF-3.² These comprise 18 projects prepared by ExAs under direct access, as well as 20 projects prepared by IAs with ExA participation but not under expanded opportunities. The majority of approved projects with ExA involvement originates from the international financial institutions (the four RDBs and IFAD) and constitutes about 68 percent of the number of projects in the

portfolio. In terms of focal areas, 50 percent of the projects deal with either climate or biodiversity, with a relatively even distribution of the remainder among the land degradation, international waters, POPs, and multifocal areas. A large proportion of these projects are in Asia (37 percent). Figure 1 gives an overview of the approved projects by ExA across all GEF replenishment periods and includes projects jointly implemented with the IAs. Distributions by focal area and region are also shown.

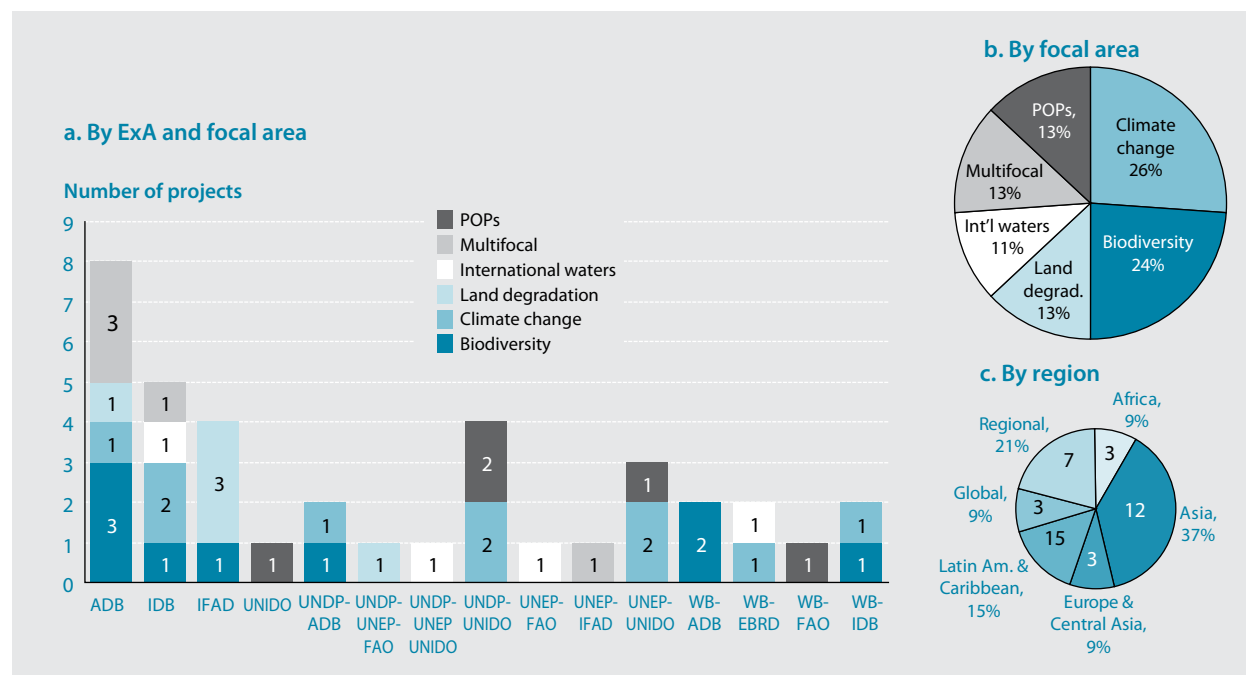
3 Context and Recent Developments

The involvement of the ExAs in the GEF must be analyzed within the context of the issues that affect them. Some of these issues are external (problems in the GEF Activity Cycle that affect all Agencies and the introduction of the Resource Allocation Framework [RAF]); others stem from delays occurring in the process of ensuring the legal framework for direct access and enhanced opportunities.

- **Cycle delays.** The Joint Evaluation identified increasing delays throughout the GEF Activity Cycle. This is arguably the single main issue affecting the involvement of ExAs in the GEF. The ExAs were invited to participate more fully in the GEF at a time when participation became more difficult for all partners in the GEF. Consequently, the ExAs had to ascend a steep learning curve in order to make use of the enhanced access. The ExAs are now more confident that they are conversant with the processing of GEF projects.
- **Legal context.** ExAs' direct access to GEF financing can be depicted as a staggered stop-and-go process, whereby ExAs were granted different levels of direct access to GEF resources at different times, and sometimes with sub-

Figure 1

ExA portfolio distribution (approved FSPs and MSPs)



stantial elapsed time between main decisions. The 1992 GEF Assembly encouraged the IAs to work with the RDBs—ADB, the African Development Bank (AfDB), the European Bank for Reconstruction and Development (EBRD), and IDB—on framework agreements to enable them to act as ExAs within the restructured GEF. However, it was not until May 1999 that the GEF Council granted the four RDBs direct access for determining project eligibility and for approval of project development facility (PDF) block B grants. Over three years later, in October 2002, ADB and IDB were granted expanded access to PDF-A, medium-size project (MSP), and full-size project resources, in response to policy recommendations of the third replenishment. Direct access was expanded to the UN agencies (IFAD, UNIDO, and FAO) and to EBRD and AfDB one year later, in November 2003. The memorandums of understanding and financial procedures agreements between

the Trustee (acting on behalf of the GEF) and the ExAs were signed between June 2004 and June 2005, when all ExAs (except EBRD) completed the legal requirements to obtain direct access to GEF resources. The lengthy process to finalize the signing of the agreements is due mainly to a lack of clarity regarding what requirements needed to be fulfilled, both for the memorandums of understanding and the financial procedures agreements.

• **Challenges posed by GEF-4 and the RAF.**

The recently introduced RAF adds emphasis to the aspect of country ownership. However, it is not entirely clear at the moment what criteria are being used to set country priorities within the GEF context and to what extent the country focal points have been made aware of the comparative advantages of all of the GEF partnership Agencies. The establishment of the new RAF at the country level, while potentially

increasing local ownership, may therefore pose special problems for increased participation of ExAs. Given their low involvement so far in the GEF, countries may perceive ExA involvement in project preparation as risky and consequently select the established IAs.

- **Recent developments.** The GEF CEO met with IA and ExA representatives in Washington, D.C., October 11–13, 2006. The CEO announced that a proposal would be submitted for Council consideration to enlarge the scope of engagement with the ExAs—particularly UNIDO and FAO—to reflect their true comparative advantages. Furthermore, the CEO proposed to the Council that the IAs no longer receive a corporate budget and that project fees be increased to 10 percent to promote a more level playing field among all the GEF Agencies. Furthermore, the Activity Cycle will be redefined, taking into account the findings and recommendations of the Joint Evaluation of the GEF Activity Cycle and Modalities.

4 Findings and Conclusions

This evaluation reconfirms earlier findings by past reviews that all the ExAs have the relevant mandates and technical capabilities to work on environmental matters. Indeed, the four RDBs and the UN agencies strengthen the ability of the GEF partnership to address emerging strategic operational needs by drawing on a wider experience base and creating new avenues to leverage additional resources. It seems that, within their regional and/or technical outreach, ExAs constitute a good match to work with the GEF, as evidenced by their institutional capacity to identify, develop, implement, monitor, and evaluate projects in their respective niches. All have representation in the field (national and/or regional) either by their own staff or counterparts.

Conclusion 1: The Executing Agencies with Expanded Opportunities face structural constraints in the GEF.

The overarching conclusion from this evaluation is that the ExAs face two kinds of structural constraints: at the policy and strategic level and in preparing project proposals. The lack of ExA involvement in development of new policies, strategies, and programs adds to the difficulties that the ExAs face when preparing proposals for new projects. Furthermore, ExAs lack an incentive structure for their enhanced participation. There is no direct access to the GEF corporate budget,³ nor to PDF-A imprest accounts.⁴ Significant challenges to a full and equitable engagement with the GEF thus remain for all ExAs. Even though some progress has been made, ExAs are still not fully involved in the major decision-making processes, resulting in the perception that most decisions are made without due consideration of ExA concerns and viewpoints.

Conclusion 2: The Executing Agencies are not involved as equal partners in the preparation of new GEF policies, strategies, and programs and in the management of the GEF portfolio.

The limited involvement of ExAs in policy and strategy development in the GEF is largely due to historical precedent, since the GEF was originally established with only the three IAs in mind, with budgetary provisions made available to enable these Agencies to fully participate in the GEF management structures. The GEF has evolved since that time with the inclusion of the ExAs, which all bear cross-cutting responsibilities in their respective regions and areas of expertise, but the original consultation and decision-making structures remained largely unchanged. This systemic constraint results in a suboptimal and at times strained relationship between the GEF Secretariat and the ExAs. ExA involvement in

the GEF's strategic development has improved in recent times, but the lack of budget allocations to the ExAs for this work hinders further progress.

Specific areas where ExA involvement is constrained include the following:

- **Executive coordinators meetings.** The ExAs are not included in these meetings, nor are agendas and proceedings distributed to them; the ExAs are later informed, sometimes verbally, about decisions made in these meetings.
- **Informal meetings.** The same situation as above pertains regarding ad hoc meetings between the GEF CEO/Secretariat and the IAs.
- **Task force and other technical meetings.** While in the past, ExAs did not participate in such meetings, they are now invited—albeit not routinely—to attend meetings in those focal areas where they have direct access. Participation is often conducted via teleconferencing.
- **Information flows on policy matters.** While such flows have apparently improved, at issue is the fact that the ExAs are not involved in policy decisions of the GEF that often affect them.
- **RAF.** The involvement of ExAs in the RAF has been irregular. While some Agencies have been asked for comments, others have not. The RAF endorsement letters reflect an imbalance in Agency involvement.

The ExAs have participated through their GEF focal points, operational staff, and evaluation units in recent GEF Evaluation Office undertakings, specifically, the Joint Evaluation of the GEF Activity Cycle and Modalities and the present evaluation; they also were fully involved in the development of the GEF monitoring and evaluation policy. The ExAs have been invited to contribute to the establishment of the new Scientific

and Technical Advisory Panel (STAP) roster of experts by nominating technical experts and assisting in the identification of expertise gaps in the existing roster. A wider disparity exists when it comes to the relationship with the GEF Council and GEF Trustee. The ExAs and IAs can only address the Council when so invited. The rapport with the Trustee appears to be less than ideal, given the perceived lack of adequate guidelines on what communication channels are to be used and how for issues pertaining to disbursements and financial arrangements, specifically for indirect access projects.

Conclusion 3: There is no “level playing field” for the Executing Agencies when preparing project proposals.

ExA participation in the total project portfolio of the GEF-3 replenishment remains at a rather modest share of 7.9 percent for all seven ExAs combined and including both direct and indirect access resources.⁵ A breakdown of this figure shows that more than half of the total approved allocation to ExAs falls under indirect access. This uneven distribution is a cause for concern from the perspective of the ExAs, as it suggests a lack of recognition regarding the strategic role they can and are expected to play within the GEF partnership. The work program amounts approved in GEF-3 for the ExAs as of August 2006 are shown in tables 1 and 2. The figures in table 2 include all joint projects with ExA involvement and also encompass projects with arrangements that enable direct access to resources by the ExAs.⁶

The total participation of ExAs in enabling activities in GEF-3 was also small, amounting to 8 percent of all approved enabling activities. The total approved amount for such activities in GEF-3 was \$143.95 million, of which \$11.42 million (8 percent) was allocated to UNIDO, the only ExA with an enabling activity portfolio.⁷ This signi-

Table 1**Direct access portfolio of ExAs in GEF-3 work programs**

Agency	Number of projects		Approved work program amount (million \$)			Share of total approved work program amount (%)
	Full size	Medium size	Full size	Medium size	Total	
ADB	4	3	50.56	2.28	52.83	2.0
IDB	4	1	15.82	1.00	16.82	0.65
EBRD	0	0	0	0	0	0.0
AfDB	0	0	0	0	0	0.0
FAO	0	0	0	0	0	0.0
IFAD	3	1	19.84	0.64	20.48	0.8
UNIDO	1	0	2.65	0	2.65	0.1
All ExAs	12	5	88.9	3.9	92.8	3.6

Table 2**Indirect access portfolio of ExAs in GEF-3 (aggregated data)**

Agency	Number of projects		Approved work program amount (million \$)			Share of total approved work program amount (%)
	Full size	Medium size	Full size	Medium size	Total	
All ExAs	11	2	109.70	2.00	111.70	4.3

fied a substantial participation in the total share (32 percent) of approved enabling activities for POPs. Table 3 provides an overview of UNIDO's participation in enabling activities.

Table 3**Overview of UNIDO enabling activities portfolio in GEF-3**

Description	Amount
Total number of enabling activities	18
Total funding approved for enabling activities	\$11.42 M
Share of total approved for enabling activities	8%
Share of total approved for POPs	32%

With the RAF in effect, countries were requested to endorse all their project proposals by September 2006. Although the endorsement exercise is currently under review, its preliminary results reveal an increasing imbalance in the proposed project distribution among the 10 Agencies. The initial round of proposals for the climate change and

biodiversity focal areas included only 5 ExA projects out of 241 (2 percent), accounting for 3 percent of the total country-endorsed allocations. An additional 4 percent of allocations for joint projects may also include ExAs, but not under direct access. These figures show no positive evolution in ExA involvement when compared to GEF-3.

The desk review of the ExA project portfolio indicates that the quality of projects proposed for inclusion in the GEF work program is on par with internationally acceptable quality standards on aspects of monitoring and evaluation, participatory processes, and other quality dimensions reflected in the operational principles for development and implementation of the GEF work program.

The ability of the ExAs to source and ensure cofinancing for GEF initiatives follows the same pattern as for the IAs. The financial institutions (the four RDBs and IFAD) seem to exhibit a greater leveraging capacity than FAO and UNIDO. This

could be related to the fact that GEF funds are often used to “soften” loans that in turn provide for the bulk of the cofinancing.

The important constraints to full participation of ExAs in the GEF are the lack of transparency and the resulting unpredictability, especially with regard to policy shifts and resource allocations—a not-unexpected result, given the lack of information exchange between the GEF Secretariat and the Agencies during the approval process. This communication gap in turn leads to a heightened sense of uncertainty, since it is not always made sufficiently clear why certain proposals were approved and others not. This evaluation and the Joint Evaluation found that this lack of transparency particularly involved the following:

- **Inadequate and irregular information flow**—especially pertaining to the status of project proposals in the decision-making process and the lack of timely guidance and feedback from the GEF Secretariat to queries by the ExAs
- **Overall GEF policies and strategies**—undisclosed focal area criteria regarding what types of projects will be funded at a given time, RAF allocations, and other GEF policies
- **Operational policies and procedures**—which procedures apply to which types of projects, definitions and terminology, the Operational Manual being limited only to the GEF Secretariat, access to special funds
- **Project management**—project status, tracking in the cycle, actual expenditures, decisions made, accountability

As pointed out by many recent evaluations, the GEF project database is not reliable. Of particular import to the ExAs, the database does not provide full recognition of the role of ExAs when projects are submitted through an IA.

5 Recommendations

Although there are opportunities to enhance the involvement of ExAs, it seems that there is a structural limit to their participation in the GEF. The GEF *Instrument* and the current structure of the GEF are based on the primary role of the three IAs. The question could be raised whether that exclusive primary role is still useful, and whether the role of “Implementing Agency” should not be opened up to Agencies that have a comparative advantage to support recipient countries to achieve global environmental benefits. Such a fundamental rethinking of the way the GEF operates would result in changes to the GEF *Instrument* that are not feasible in the short run. Section 6 highlights some issues that could be considered for further analysis in the coming years.

The current low level of ExA involvement in the GEF curtails achievement of the objectives of the ExAs with Expanded Opportunities policy in the longer run. There is evidence that ExA operational staff are fatigued and frustrated in their GEF work, given the complexity and time lines of the Activity Cycle and the unpredictability of financing. Indeed, it is becoming increasingly challenging for ExAs to justify the time and resources spent on the rather lengthy project development process, particularly in light of the high level of uncertainty surrounding the approval process. Disruptions in disbursements during project implementation due to occasional funding interruptions further exacerbate the situation. The opportunity cost associated with GEF project development is reaching the point where discouraged Agency operational staff (task managers) will not deem development worth the time and effort spent vis-à-vis the potential benefits an approved project would bring.

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

The ExAs should be invited to participate in the executive coordinators meetings. Because it is probably not feasible to suddenly increase the participation at such meetings from 3 to 10 Agency representatives, it is suggested to include ExA participation on a rotating basis. Alternatively, the RDBs could be represented by one participant, and the UN agencies by a second. Agendas and minutes for the executive coordinators and ad hoc meetings should always be prepared and distributed to all Agencies and country focal points.⁸ No other decision-making entities should be set up parallel to existing ones to avoid any future transparency issues regarding decision-making processes. Involvement in current decision making in the GEF may also allow the ExAs to voice concerns or complaints for which they currently need to approach the GEF CEO or the Council.

Recommendation 2: The interaction with recipient countries and the preparation of project proposals should provide a “level playing field” for implementing and executing Agencies.

The Joint Evaluation on the GEF Activity Cycle and Modalities recommends an overhaul of the current Activity Cycle and modalities. In this overhaul, care should be taken to remove the barriers and constraints that ExAs face when preparing project proposals.

ExAs with direct access in only one focal area should receive direct access to other focal areas based on their comparative advantage. With the increased emphasis on the interlinkages among focal areas and the linkage between global environmental benefits and sustainable development, the arguments for keeping ExAs confined to one specific focal area are no longer valid. This expan-

sion will entail renegotiation of the relevant memorandums of understanding.

The role of the ExAs in cases of indirect access through joint projects should be recognized and made explicit and quantified in project documentation and the GEF database.

Care should be taken that interactions on the RAF are fair to all partners in the GEF and that all partners are invited to take part in consultations.

6 Issues for the Future

As noted above, the current structure of the GEF gives a special role to the IAs, which has led to providing these Agencies with substantial corporate budgets and involving them in crucial decisions of the GEF, such as the selection of candidates for GEF CEO and Council Chairman. Direct access of ExAs to GEF funding is, in their view, hindered by their status as “second-class partners” within the GEF on corporate issues. Whether the GEF continues as a partnership with first- and second-class partners, or whether it in fact levels the playing field, is an issue that would need to be explored within the GEF Council and settled by the GEF Assembly.

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

The perception of the ExAs is that the corporate budget provides an advantage to the IAs when preparing project proposals. Meanwhile, the Council CEO decided in December 2006 to develop proposals to the GEF Council to abolish the corporate budget for IAs and raise the project fee to enable all Agencies receiving project fees to undertake corporate activities. This poses the challenge to

develop a clear linkage between corporate fees received and corporate products or services provided. Providing transparency on how the corporate fee is used by each Agency will reduce the perception among partners that it provides an advantage when preparing project proposals.

Several international agencies have track records as GEF executing agencies (without enhanced opportunities) and have the potential to contribute innovative solutions to global environmental concerns. For instance, the International Atomic Energy Agency has fully prepared medium-size projects submitted through an IA, one of which has already been approved and is under implementation. The Organization of American States has prepared and implemented most of the United Nations Environmental Programme's (UNEP's) international waters portfolio in Latin America. Several international NGOs, such as the World Wildlife Fund, Conservation International, and the Nature Conservancy have prepared and implemented many GEF projects in the biodiversity focal area. This evaluation did not study the experiences or comparative advantages of these agencies, but raises the question of whether the GEF would benefit by opening up its partnership even more, especially to agencies that have an established track record in collaborating with the GEF through the IAs. It is clear from this evaluation that any such opening up would have to be handled in a less bureaucratic manner than has been done for the seven ExAs. Furthermore,

the requirements for fiduciary standards that were increased in the GEF-4 policy recommendations pose additional challenges for future involvement of new partners.

Notes

1. GEF (1994b), section VI and paragraph 20(f).
2. The Costa Rica Tejona Wind Power project began in the GEF pilot phase and was jointly implemented by the World Bank and IDB.
3. The GEF corporate budget stands at around \$3 million per IA for FY 2006.
4. See GEF (2007b).
5. This 7.9 percent was calculated based on the total approved work program amounts in GEF-3, including the GEF Council approvals of June and August 2006. The total approved GEF-3 work program amount up until August 2006 stands at \$2,582,247,782 (according to both the Joint Evaluation database and the GEF Project Management Information System). This figure does not include the allocations for enabling activities; only PDF resources and GEF project budgets have been considered.
6. This includes, for example, the World Bank-IDB Central American Indigenous and Peasant Coordination Association for Community Agroforestry and the Central American Commission on the Environment and Development project.
7. All dollars cited in this report are current U.S. dollars, unless otherwise noted.
8. Minutes of the executive coordinators meeting of September 21, 2006, were so distributed.

Annex A.

The Evolution of Expanded Opportunities to Executing Agencies and the Legal Framework

A.1 Introduction

This paper¹ aims to help further the understanding of why and how the involvement of the Executing Agencies in the Global Environment Facility partnership came to be, the process that was followed to achieve this, and the results of the efforts thus far achieved toward creating a conducive operational, policy, and legal environment to effectively enhance the involvement of the ExAs.

This paper is organized into three sections. Following the introduction, section A.2 presents a summary of the history and rationale for ExA involvement. Section A.3 provides an overview of the progression, key features, and challenges in the legal framework for expanded opportunities. The final section depicts the current status of access and recent developments affecting ExA involvement in the GEF partnership.

A.2 History and Rationale for Expanded Opportunities

Cooperation between the ExAs and Implementing Agencies within the GEF context is not new. ExA involvement in the GEF partnership dates back to the GEF pilot phase, when the first jointly implemented GEF projects—a World Bank-Inter-American Development Bank collaborative project in Costa Rica and a collaboration between the United Nations Development Programme (UNDP) and the Asian Development Bank to implement

the Asia Region Greenhouse Gas Strategy Development project—took place.²

Additionally, a number of other multilateral organizations, NGOs, foundations, bilateral agencies, and the private sector have also cooperated—and continue to do so—with IAs as executing agencies in the traditional sense of undertaking project activities.³ A general overview of the participation of different types of entities is given in table A.1, as derived from the Joint Evaluation of the GEF Activity Cycle and Modalities database.

After the GEF restructuring in 1994, the prospect of opening up the GEF partnership by expanding opportunities for other Agencies was discussed by the Council in its annual and intersessional meetings.⁴ One of the earliest Council documents dealing with the expansion of the GEF partnership—“Collaboration between the World Bank and Regional Development Banks in GEF Implementation: A Status Report” (GEF 1994a)—was based on a meeting of the World Bank and the four regional development banks, with the International Fund for Agriculture and Development attending as an observer. This document states that “RDBs are expected to attend...sessions of the GEF Operations Committee” and that “the Bank will support this capacity building [of RDBs] from its own GEF administrative budget until such time as administrative budget allocations are disbursed to the RDBs,” giving the impression that RDBs were, in

Table A.1

Involvement of different types of executing agencies with GEF projects from the pilot phase to GEF-3 (number of projects)

GEF replenishment period	Multilateral	NGO	Bilateral	Foundation	Other ^a	Private sector
Pilot phase	31	3	–	1	2	–
GEF-1	42	3	1	1	1	2
GEF-2	73	55	–	11	15	11
GEF-3	86	38	13	4	14	7

a. The term “other” is used in the Joint Evaluation database to cover agencies and organizations that could not easily be placed in the existing categories.

1994, already expected to (1) participate in the precursor of the current GEF executive coordinators meetings; and (2) in the-then-foreseeable future, be allocated an administrative budget to support their nonproject activities.

However, the expanded opportunities only started to take concrete shape after the first GEF Assembly in 1998. At this Assembly, it was recommended to seek greater involvement by other entities to address the needs of an evolving GEF, as captured in “The New Delhi Statement of the First GEF Assembly”:

GEF should promote greater coordination and cofinancing of its activities from other sources, including bilateral funding organizations, and should expand opportunities for execution of activities by those entities referred to in paragraph 28 of the *Instrument*.

The Council developed criteria and options for enhancing these opportunities and adopted a new policy governing this in 1999 based on the Council document “Expanded Opportunities for Executing Agencies” (GEF 1998). In this document, examples were given of ongoing collaborations between IAs and ExAs, particularly between the World Bank and the RDBs.⁵ The RDB experience grew into a more explicit demand for expanded opportunities, especially for direct access to GEF resources, as noted in the “Review of Progress in

Expanded Opportunities for Executing Agencies,” which also identified the barriers that needed to be overcome to expand the opportunities (GEF 2000).

The rationale for expanded opportunities, from the GEF perspective, was to address the need to mobilize additional resources and alleviate constraints in project delivery, as described by the GEF (1998). Additionally, it was expected that expanding the opportunities for ExAs would help stabilize the GEF administrative budget.

The latest review of the experience of the Executing Agencies (GEF 2003) summarized three main objectives for the policy on expanded opportunities as (1) increase the capacity of the GEF to address strategic operational needs, including in new and emerging areas, and respond to country-driven priorities and the requirements of the conventions; (2) increase the diversity of experience from which the GEF can draw for innovative interventions in operational program areas; and (3) leverage additional resources for the protection of the global environment by expanding the GEF’s capacity to mobilize financial and technical resources and cofinancing for its projects.

The four regional development banks—ADB, IDB, AfDB, and EBRD—IFAD, and the two specialized UN agencies—the FAO and UNIDO—were

admitted to the GEF partnership under expanded opportunities under the following set of criteria, which are derived from the policy established by the GEF (1998) and described in the Council document “Criteria for the Expansion of Opportunities for Executing Agencies” (GEF 2001):

- **Strategic match.** The GEF’s annual corporate business plan serves as a guide to delineate the degree to which an Agency’s expertise and comparative advantage meets the strategic needs of the GEF. Gaps in the GEF portfolio are in principle identified through the overall performance studies (OPSs) and annual performance reports (APRs). Concurrently, these assessments can serve as a measure to determine on a regular basis whether the strategic needs of the GEF are met by the existing partnership Agencies and portfolio distribution.
- **Capacity.** “Capacity” refers to the institutional capacity and effectiveness of the Agency in GEF operational program areas. The following three criteria are applied:
 - Project and portfolio management experience; specific technical expertise; record on environmental, social, and sustainable development issues; and safeguard, public disclosure, and fiduciary policies
 - Experience with GEF projects or with projects relevant to future GEF operations
 - The strength, depth, and diversity of Agency contacts in member countries, including their field presence and technical cooperation assistance programs
- **Complementarity.** The size of the Agency’s regular work program in relevant fields and the extent to which future GEF projects could build upon that work program and the Agency can leverage resources and commitments from other partners and cofinanciers.

The above criteria were intended to be used by the GEF Secretariat—in consultation with the IAs—to guide the inclusion of any prospective ExA on behalf of the Council, by conducting a due diligence institutional review. Upon acceptance by the Council of the due diligence review, and the finalization of the legal and procedural arrangements by the GEF Secretariat and ExA, an associated plan for the ExA’s GEF operations in the area of its strategic match was to be developed and subsequently reviewed annually.⁶

The procedures that aspiring ExAs would have to follow in order to be considered for the expanded opportunities remain rather vague; this evaluation could not establish whether there was a formal application process proposed to the Council to guide the inclusion of aspiring ExAs under Expanded Opportunities. The only reference made to such effect has been found in the document “Expanded Opportunities for Executing Agencies” (GEF 1998, paragraph 58), which states: “such organizations could, at their discretion, approach the GEF Secretariat to be considered for assuming full responsibility for project implementation and direct accountability to Council.” Thus far, only the four RDBs, FAO, UNIDO, and IFAD have been included.

The ExAs have expressed an unabated interest in continuing and increasing their participation in the GEF. This is evidenced by their constructive cooperation with nonproject activities, such as their involvement in several task forces and the Joint Evaluation of the Activity Cycle and Modalities (which was initially proposed by ADB), notwithstanding the fact that the financing of their participation in these areas generally had to come from their own resources. The main reason for the ExAs’ continued interest is that the GEF provides an opportunity to reinforce their contributions to the global environmental agenda by provid-

ing additional resources to support their existing efforts. Furthermore, their GEF participation enables them to respond more efficiently to country demands. Involvement in the GEF partnership strengthens their environmental profile, enhances their image by working on current global issues, and allows them to transcend the boundary limitations and country specificity usually found in traditional Agency projects. Attachment A.1 of this paper provides summaries submitted by the ExAs on their mandate to work in environmental matters and capacity to work in the GEF focal areas.

A.3 Legal Framework

Legal Context

The ExAs were granted access to GEF financing in a phased process, with different levels of access at different times. Consequently, the policies on ExAs' direct access took considerable time to operationalize. Although the first discussions on the role of the RDBs were initiated in June 1992, up to the present, ExAs have not been fully incorporated into the GEF system. The process of establishing the necessary policy and legal framework for ExA participation became in itself a barrier to their effective involvement.

As early as 1992, the GEF Assembly encouraged IAs to work with the RDBs on framework agreements to enable them to act as ExAs within the restructured GEF, but it was not until May 1999 that the Council granted the four RDBs direct access for determining project eligibility and for approval of PDF-B grants. Over three years later, in October 2002, ADB and IDB were granted expanded access to PDF-A, medium-size project, and full-size project resources, in response to GEF-3 policy recommendations. Direct access was expanded to the UN agencies (IFAD, UNIDO, and FAO) and to EBRD and AfDB one year later, in November 2003.

Signing of the memorandums of understanding and financial procedures agreements between the GEF Trustee (acting on behalf of the GEF) and several ExAs took place from June 2004 to June 2005, when all but one ExA completed the legal requirements to have direct access to GEF resources. The requirements for the EBRD were completed in November 2006. The lengthy process to finalize the signing of the agreements is mainly attributed to a lack of clarity on what requirements needed to be fulfilled, both for the memorandums and the financial procedures agreements dealing with the fiduciary issues.

When analyzing the evolution of the legal framework underpinning ExA involvement under Expanded Opportunities, the following distinct periods can be distinguished.

Period 1: Case-by-Case Arrangements between IAs and ExAs (June 1992–October 1998)

Beginning in June 1992, the RDBs expressed interest in being involved in the GEF system, particularly in the allocation and management of GEF resources. In October 1992, the RDBs and the World Bank decided to propose the following to the GEF: (1) RDB autonomy to identify, appraise, supervise, monitor, and evaluate GEF operations according to their own procedures, but following GEF technical review standards and project design criteria; (2) RDB representation on the Scientific and Technical Advisory Panel Implementing Committee; and (3) encouragement of joint programming exercises. In December 1992, the participants' Assembly encouraged IAs to work with RDBs on framework agreements to enable them to act as executing agencies in the restructured GEF. However, the Assembly emphasized that the implementation function should continue with the three established IAs, and that they were not in favor of earmarking resources to the RDBs or UN agencies.

This period was marked by an ongoing and diversified collaboration between IAs and ExAs for project execution. This collaboration took place on a project-by-project basis, through project-specific agreements.

Period 2: Staggered Expansion of Expanded Opportunities (October 1998–November 2003)

In October 1998, the GEF Council discussed the paper “Expanded Opportunities for Executing Agencies,” which argued that the projected growth in GEF business would need to come from increased involvement from ExAs, especially given the need to stabilize GEF administrative costs and address constraints regarding delivery capacity. The paper described and analyzed three scenarios: (1) business as usual, (2) expanding shared implementation with ExAs, and (3) introducing full responsibility by ExAs. These options would be revised in May 1999.

The first concrete step for expanded opportunities came in May 1999, when the Council granted the four RDBs direct access to the GEF Secretariat for determination of project eligibility and approval of PDF-B grants. The Council limited the IAs’ accountability for ExA activities under expanded opportunities to conducting the due diligence review to ensure compliance with GEF policies and procedures. Once such compliance was ensured, the ExAs would be solely accountable for respecting the policies and procedures and for ensuring the quality, implementation, and financial integrity of their GEF projects. However, an IA would still remain fully accountable to the Council for project implementation. In May 2000, FAO and UNIDO were granted direct access for PDF-B grants in the persistent organic pollutants focal area.

The first signs of uncertainty as to the roles and responsibilities among IAs and ExAs were acknowledged by the Council in its next meet-

ing (November 2000), when it stressed the need to develop a clearer definition of “accountability” and clarify the division of labor among IAs and ExAs. The Council suggested the following to be the responsibilities of the IA: (1) assessment of whether the ExAs can comply with GEF policies and standards, (2) an assurance of quality at entry of project proposal in the work program based on project preparation, and (3) a defined role for the IA in the evaluation process at project completion.

In May 2001, the Council approved the criteria for selecting new ExAs, based on strategic match with the GEF corporate plan, capacity, and complementarity. These criteria were later used for the expansion of access to GEF funding to the UN agencies. At this same Council meeting, IFAD was granted direct access to PDF-B funding for projects in the land degradation focal area. FAO and UNIDO were also granted direct access for POPs enabling activities.

A second wave of expansion of direct access to GEF funding came in 2002 and 2003. In October 2002, IDB and ADB were given direct access to full-size project, medium-size project, and PDF-A resources. One year later (November 2003) IFAD, FAO, UNIDO, AfDB, and EBRD were given the same level of access, although the UN agencies remained restricted in some of their areas of expertise.

Period 3: Final Agreements and New Challenges in GEF-4 (November 2003–Present)

The formalization of expanded opportunities for the ExAs entailed the signing of memorandums of understanding and financial procedures agreements between the GEF and each ExA. This process took several years. IDB was the first Agency to finalize the procedural requirements, followed by ADB and UNIDO in 2004. In 2005, FAO, AfDB, and IFAD followed suit. EBRD negotiated its memorandum of understanding and financial procedures agreements with the GEF in 2006.

The GEF OPS3 found that the roles and responsibilities of IAs and ExAs are not always clear, especially as they affect collaboration and competition. While the majority of projects in the pipeline are well aligned with Agencies' comparative advantages, a number of them cross over into the comparative advantage of other Agencies and/or are not necessarily aligned with the proposing Agency's mandate. OPS3 illustrated this by citing examples regarding UNDP and the World Bank both doing technical assistance projects and investment projects, while they were originally tasked to focus on specific categories. Similarly, the United Nations Environment Programme (UNEP) has typically conducted global and regional projects but is proposing and implementing national projects (GEF EO 2005). The inclusion of ExAs brings additional competition and will likely further affect the existing equilibrium between competition and collaboration. OPS3 also observed that ExAs have "uncertain" mandates and that some still face a steep learning curve in order to function competitively in the GEF market.

Toward the end of the GEF-3 replenishment period, Agencies noted an increasing competition among IAs and ExAs, undermining cooperation at the local level. Respondents to the Joint Evaluation survey stated that "One of the weaknesses of the GEF Activity Cycle is that it encourages competition among Agencies for projects, which tend not to discuss projects with one another." In the face of the new Resource Allocation Framework, for which programming is already taking place, competition for scarce resources might intensify around a smaller pool of potential projects in some countries.

Challenges Posed by GEF-4 and the RAF

The newly introduced RAF has transferred a great deal of responsibility to the country level to add impetus to the aspect of country ownership. The RAF has been generally welcomed by most

Agencies, as it provides for more predictability regarding resource allocations. However, the ExAs do not believe that they have been adequately involved in the planning and implementation of this mechanism. A certain degree of skepticism remains regarding the assistance and training the national focal points have received to guide the process of identifying their GEF priority areas and the likely Agencies that will assist the countries in project development and implementation. This skepticism is exacerbated by the fact that it is not entirely clear what criteria are being used to set country priorities within the GEF context, and to what extent the country focal points have been made aware of the comparative advantages of all the GEF partnership Agencies. The establishment of the new RAF at the country level, while potentially increasing local ownership, may therefore pose special problems for increased participation of ExAs. Given their low involvement so far in the GEF, countries may perceive ExA involvement in project preparation as risky, and consequently might prefer to seek collaboration from the established IAs to expedite project development and approval.

In sum, the staggered process of creating the legal framework for granting direct access to GEF resources added to the complexity of the GEF system. As a consequence, the evaluation finds that it was difficult for project proponents to know what Agency had access to what resources at what point, which also hampered the timely realization of the expanded opportunities. The decisions regarding ExA direct access took considerable time to be fully operationalized—a sign of a lack of proactive planning to address the full set of policies and procedures needed. Business practices at both the institutional and project levels remained largely the same after the incorporation of ExAs, reflecting policies formulated with only the three IAs in mind. Among these practices are the consideration of fees, corporate budgets, and

imprest accounts for PDF-As. The milestones of key events and decisions that shaped the current involvement of ExAs within the GEF partnership are presented in attachment A.2.

A.4 Current Status

An overview of the current access of the ExAs to GEF resources as it pertains to their respective fields of expertise and the relevant GEF focal areas is provided in table A.2. All four RDBs have access to all focal areas, while the UN agencies are restricted to the specific focal areas that were deemed most aligned with their core expertise to match GEF strategic needs.

The October 13, 2006, joint meeting of the GEF Secretariat with the IAs, ExAs, GEF Trustee, and GEF Evaluation Office determined that the Council would receive recommendations by the GEF Secretariat in December 2006 to further enhance the involvement of ExAs within the GEF partnership. Specifically, it would be proposed to the Council to (1) enlarge the scope of engagement for UNIDO and FAO to reflect their true comparative advantages; (2) abolish the corporate budget

for the three IAs and set the project cycle management fee at 10 percent for all Agencies; and (3) expect all Agencies to participate in Secretariat-led corporate activities, including communications and outreach.

This latest development represents a departure from the status quo which limited the involvement of the ExAs in GEF corporate activities, as this was mainly within the realm of the three IAs, with budgetary provisions (corporate budget) that enabled these Agencies to fully take part in GEF structures. The recent decisions by the GEF CEO seems to acknowledge that the GEF has evolved since that time with the inclusion of the additional partners, which all bear significant cross-cutting responsibilities in their respective regions and areas of expertise. It is therefore expected that the proposed measures will remediate the existing imbalance in the GEF's consultation and decision-making structures. This will most likely help to mitigate the constraints that have resulted in a suboptimal and, at times, strained relationship among the GEF Secretariat, the IAs, and the ExAs. Even though the involvement of the ExAs in the upstream work of the GEF has improved

Table A.2

Access to GEF resources by ExAs under Expanded Opportunities

Agency	Access to PDF-B resources	Access to project resources
ADB	Direct access	Direct access
AfDB	Direct access	Direct access
EBRD	Direct access	Direct access ^a
IDB	Direct access	Direct access
FAO	Direct access for agricultural POPs projects	Direct access for agricultural POPs enabling activities; direct access for agricultural POPs projects
IFAD	Direct access for land degradation projects	Direct access for land degradation enabling activities; direct access for land degradation projects
UNIDO	Direct access for industrial POPs projects	Direct access for industrial POPs enabling activities; direct access for industrial POPs projects

Note: *Direct access* implies that the ExA can directly submit proposals to the GEF Secretariat. *Indirect access* implies that the ExA can submit the proposal only through one of the three IAs.

a. EBRD signed a memorandum of understanding and financial procedures agreements with the GEF in November 2006.

in recent times, there are still significant impediments caused by the lack of transparency in the decision-making processes and unpredictability of financing, especially with regard to policy shifts and resource allocations. The lack of budget allocations to the ExAs for upstream work also limits their involvement, since this typically has to be funded from their regular budgets. Some examples of the track record of the ExAs' involvement in more strategic environmental forums and GEF nonproject activities are described in box A.1, which gives an indication of both the remaining gaps and the added value the ExAs could bring to the GEF partnership.

Notes

1. Paper written by Omar Lyasse and André Aquino.
2. The World Bank-IDB initiative was the Costa Rica Tejona Wind Power project. The UNDP-ADB project could not be traced in the GEF Project Management Information System or the database developed in conjunction with the Joint Evaluation of the GEF Activity Cycle and Modalities, likely because of different labeling.
3. The GEF Project Management Information System can track type of partner but not an exact name; thus, there might be projects where ExAs were involved, but this is not easily traceable.
4. The Council used the following working documents as a basis for these discussions: GEF 1994a, 1995a, and 1995b.
5. In the March 1998 work program, the World Bank entrusted the lead role for the design and preparation of the Bangladesh: Biodiversity Conservation in the Sundarbans Reserved Forest project to ADB. The Bank was systematically empowering the RDBs to play a more substantive role in helping their clients access GEF resources (source: GEF 1998).
6. An example of a due diligence review for IFAD can be found in GEF (2001), section III.

Box A.1

ExA Involvement at Strategic Levels

Policy/Strategy Development.

- The RDBs are participating in the World Bank–led process for the preparation of the Clean Energy and Development Investment Framework. As part of this effort, the RDBs are preparing their own sustainable energy and climate change Initiatives that define the problems facing the various regions and propose strategic pillars and priorities for action.
- IFAD has been participating in the GEF-led analytical review on resource mobilization and the status of funding activities related to desertification and deforestation. It is also the host agency for the global mechanism of the UN Convention to Combat Desertification, which has linkages with the GEF land degradation focal area. IFAD has been prolific in this area, with 185 loans (total value of \$1.85 billion) and 708 grants (\$118 million) approved between 1996 and 2005.
- FAO, jointly with UNEP, provided the Interim Secretariat for the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, a spin-off of the Stockholm Convention. FAO and UNIDO have a supporting role in the preparation of the national implementation plans by UNEP and the World Bank regarding the Stockholm Convention.

Executive Coordinators Meetings. ExAs are neither expected nor invited to attend these meetings, and the agendas are not routinely circulated to them. The minutes of the recent executive coordinators meeting (September 21, 2006), however, were distributed to all partnership Agencies. Decisions taken at these meetings—including those with a direct impact on ExA involvement—are not always communicated in a timely and formal manner to the ExAs.

Resource Allocation Framework. The pattern of ExA involvement here has been irregular. From interviews with the ExAs, it transpired that some Agencies were asked for comments during the development of the RAF; others were not. Some Agencies also participated in subregional consultation meetings on the RAF. Apart from the pilot program, ExAs have not been adequately involved in the National Dialogue Initiative, which also provided assistance to and training of national focal points to guide the process of identifying national priority areas as these relate to the GEF. This will affect the likely Agencies to be involved in subsequent project development and implementation, since it is not clear whether the potential role and comparative advantages of ExAs has been sufficiently made known to the national focal points.

Scientific and Technical Advisory Panel. Participation of the ExAs in the STAP has been marginal. The panel has 15 members who are internationally recognized experts in the GEF key focal areas. Members are appointed by the UNEP Executive Director in consultation with the GEF CEO, the UNDP Administrator, and the World Bank President. All partnership Agencies, including ExAs, have been requested to forward recommendations to reconstitute the STAP roster of experts. The ExAs were not involved in establishment of the Search Committee for the Partial Reconstitution of the STAP in 2005, nor in revision of the procedures for independent selection of project reviewers from the STAP roster.

Focal Area Task Force Meetings. In the past, ExAs did not participate in focal area task force meetings, which were limited to the IAs. These task forces consider strategic priorities in specific focal areas and have, among other contributions, contributed toward the development of indicators and tracking tools to measure the results of GEF operations. With the introduction of expanded opportunities and the gradually increasing recognition of the added value the ExAs can represent, some ExAs are now participating—albeit not routinely—in those focal area task forces where they have direct access and recognized subject matter expertise.

Monitoring and Evaluation. The ExAs have participated through their GEF focal points, operational staff, and evaluation units in recent GEF Evaluation Office exercises, particularly the Joint Evaluation of the GEF Activity Cycle and Modalities and the present evaluation. ExAs do not seem to have been involved in decisions regarding incremental cost calculations nor in the recent Evaluation of Incremental Cost Assessment. According to that evaluation, most project documents register weak compliance against GEF requirements for incremental cost assessment and requirements, but no differentiation is provided between projects prepared by IAs and ExAs. The overarching recommendation of the incremental cost evaluation was to rethink and reformulate current requirements, processes, and methodologies to incorporate incremental reasoning more effectively into project substance and design. It would be advisable to ensure active participation of all partnership Agencies—IAs and ExAs—in this exercise to create a sound foundation and critical mass of support for the new incremental cost guidelines to be developed.

Attachment A.1. Agency Summaries

The Agencies prepared the following summaries which describe their mandate to work in environmental matters, capacity to work in the GEF focal areas, field presence, and involvement in nonproject work (conventions, task forces, other technical groups, STAP, and so on). Agency submissions were edited for length and format, not substance.

Asian Development Bank

Overview

The Asian Development Bank has been working closely with the GEF since the mid-1990s. Even prior to approval of its direct access to the GEF in 2002 and completion of financial and administrative agreements in 2004 that made this relationship operational, ADB had brought forward a number of projects. As of October 2006, the GEF had approved or accepted into its pipeline 20 ADB projects. Of these, 12 moved to implementation, resulting in \$54.3 million in GEF financing for ADB projects and \$2.75 million in GEF project preparation funding. These same projects have generated roughly \$350 million in direct cofinancing against GEF inputs and approximately \$3 billion in anticipated cofinancing as part of longer term programs.

ADB Mandate to Work in the Environment

ADB is owned by its 66 members, 47 from Asia and the Pacific and 19 from other parts of the globe. Its mission is to help its developing member countries (DMCs) reduce poverty and improve the quality of life of their citizens. The organization's overarching goal of poverty reduction is anchored on the principle of achieving environmental sustainability. ADB's Medium Term Strategy II, covering the period 2006–08, reaffirms managing the environment as one of the organization's five strategic priorities. The 2002 Environment Policy

contains five elements that guide ADB's institutional strategy, many of which relate directly to GEF operational strategies and focal areas:

- Promoting environment and natural resource management interventions to reduce poverty directly
- Assisting DMCs to mainstream environmental considerations in economic growth
- Helping maintain global and regional life support systems that underpin future development prospects
- Building partnerships to maximize the impact of ADB lending and nonlending activities
- Integrating environmental considerations across all ADB operations

In addition to the Environment Policy, ADB also has formulated sector-specific policies, covering, for example, forestry (1995), fisheries (1997), energy (2000), and water (2001), that further spell out ADB's mandate and strategies in each of these sectors. Like the Environment Policy, these recognize and support relevant multilateral environmental agreements and protocols emanating from these conventions. These policies also relate to the various GEF focal areas, in particular biodiversity, climate change, land degradation, and POPs.

In addition to stand-alone environmental interventions, environmental considerations are mainstreamed into ADB's work across a number of key sectors, including energy, transport, water, and urban development. For example, in July 2005, ADB responded to the post-Gleneagles Investment Framework by multilateral development banks by launching an energy-efficiency initiative with the goal of introducing improvements in both energy production and consumption that will mitigate the increase of greenhouse gas emissions while meeting the growing energy demands

of the region. Under this initiative, ADB expects to provide \$1 billion a year for investments in clean energy and energy efficiency (including sustainable transport). Similarly, ADB is preparing to launch a carbon market initiative, which will provide an opportunity to use market mechanisms established through the Kyoto Protocol to address energy security and climate change objectives.

Capacity to Work in GEF Focal Areas

Project design and implementation generally are handled by ADB's operational departments (five regional departments and the Private Sector Department), which have their own environment and sector specialists. These efforts are supported by the Regional and Sustainable Development Department, within which the Environment and Social Safeguard Division serves a principal coordination function for global environment concerns, including facilitating GEF operations. The relationship with GEF is managed by the Environment and Social Safeguard Division and backstopped by a GEF facilitator based in the division under the supervision of the division director, who is ADB's GEF focal point.

An Environment Community of Practice and less formal Environment Network provide vehicles for in-house information sharing among ADB's environment specialists and other interested staff, and global environmental issues are regular topics of discussion. ADB's environment and sectoral experts frequently organize regional conferences and workshops, either at ADB's Manila headquarters or in its DMCs, on topics of relevance to ADB operations, and these frequently relate to or center on global environmental concerns. ADB also maintains a broad network of partners—including bilateral and multilateral development agencies and several leading international environmental organizations—as well as individual experts to supplement its in-house knowledge.

ADB carries out continuous efforts to keep its staff informed about and engaged with global environmental issues. These are sometimes coupled with in-house seminars on the GEF, but also comprise regular seminars and conferences on these subjects. Mainstreaming efforts extend to ADB's interactions with its DMCs, and GEF cofinancing of ADB projects is an important vehicle for integrating efforts to achieve global environmental benefits as part of ADB's investments in infrastructure and local environmental improvement. ADB maintains an active environment Web site (www.adb.org/environment) which regularly features global environmental topics. Strong intersectoral coordination is undertaken to develop and implement country-driven frameworks for concrete investments in biodiversity conservation, sustainable land management, climate change mitigation, and so forth.

ADB Field Presence in Asia and the Pacific

ADB has established a strong presence in the Asia and Pacific region and maintains liaison offices in North America and Europe. There are at present 19 ADB resident missions in Asia; 2 subregional offices in the Pacific; a special liaison office in Timor-Leste; and representative offices in Tokyo for Japan, Frankfurt for Europe, and Washington, D.C., for North America. The ADB field offices are listed below.

- **Resident missions:** Afghanistan, Azerbaijan, Bangladesh, Cambodia, China, India, Indonesia, Kazakhstan, Kyrgyz Republic, Lao People's Democratic Republic, Mongolia, Nepal, Pakistan, Papua New Guinea, Sri Lanka, Tajikistan, Thailand, Uzbekistan, Vietnam
- **Regional missions:** Pacific Liaison and Coordination Office, Sydney, Australia; South Pacific Subregional Office, Suva, Fiji Islands

The resident missions provide the primary operational interface between ADB and the host DMC,

including ADB's active engagement at the country level with policy dialogue and sectoral analysis. These field offices are recognized intellectual resource bases on development issues in these countries. Standard functions of the resident missions include the following:

- Promoting relationships with government, civil society, and the private sector
- Engaging in policy dialogue and support
- Reporting on country activities
- Coordinating development assistance
- Assisting in external relations and information dissemination

Several specific functions carried out by the missions directly relate to the development, delivery, monitoring, and evaluation of ADB programs and projects. More complex and resource intensive, these functions include

- country programming,
- project and technical assistance processing,
- portfolio management and project administration,
- economic and sector work and analyses.

ADB Involvement in Nonproject GEF Work

ADB has engaged strategically with the GEF on broader policy/corporate matters through the provision of comments on key documents and participation in GEF-sponsored meetings, and by taking part in a variety of policy discussions. Such engagement may be seen in ADB's participation in all three GEF Assemblies; most GEF Council meetings; GEF Biodiversity, Climate Change, and Land Degradation (and occasionally POPs) Task Force meetings; United Nations Convention on

Biological Diversity, United Nations Framework Convention on Climate Change, and United Nations Convention to Combat Desertification Conference of the Parties/Meeting of the Parties and the organization of GEF side events (such as one on partnership approaches to land degradation at the most recent United Nations Convention to Combat Desertification Conference of the Parties); and other GEF-related meetings such as the recent Subregional Consultations on the RAF held in Malaysia and Fiji.

ADB also has provided comments on a number of GEF policy/discussion papers. Examples include those relating to the proposed private sector policy, Joint Evaluation of the GEF Activity Cycle and Modalities (ADB also provided over \$60,000 in financing plus in-kind staff contributions to this), comparative advantages of GEF Agencies, incremental costs, a range of focal area discussions, and the present evaluation.

African Development Bank

Environmental Policy at the Bank

The core objectives of the Bank's Environmental Policy approved in 2004 are to improve quality of life of the people of Africa by helping to preserve and enhance the ecological capital and life-support systems across the African continent. Specifically, the Bank's Environmental Policy promotes a long-term view of development in its regional member countries (RMCs) and aims at the following key goals: (1) enhance the regenerative and assimilative capacity of RMCs' ecological capital, (2) reverse the impoverishment process in Africa by improving access of the poor to environmental resources, (3) help RMCs build their capacity to bring about institutional changes to achieve sustainable development, and (4) strengthen partnership with international agencies and networking to coordinate interventions in environmental sus-

tainable development and to promote information exchange and sharing of best practices.

The overall priority areas of the new Environmental Policy include reversing land degradation and desertification; protecting the coastal zones; protecting global public goods; enhancing disaster risk management capabilities (including adaptation to climate change and climate variability); promoting environmentally sustainable industry; increasing awareness and institutional and capacity building; environmental governance; urban sustainable development and population growth; and civil society organizations.

To put this policy into operation, the Bank uses a set of strategic approaches:

- Mainstreaming environmental sustainability considerations in all Bank operations
- Strengthening existing project and country strategy environmental assessment procedures and developing new environmental management tools
- Assisting RMCs to build adequate human and institutional capacity to deal with environmental management
- Improving public consultation and information disclosure mechanisms
- Building partnerships to address environmental issues, harmonize policies, and disseminate environmental information
- Improving monitoring and evaluation of operations with specific regard to environmental sustainability

The Bank's Commitment and Capacity to Work in GEF Focal Areas

AfDB is committed to establishing new and strengthening existing partnerships on the envi-

ronment with other development partners, Bank member countries, and NGOs; and to promote (sub)regional integration and private sector initiatives in support of Africa's environment. AfDB is also committed to broadening its engagement with GEF operations, including its participation in GEF policy and strategic activities and related efforts to help increase GEF effectiveness and become more fully integrated into GEF decision making.¹

Particular areas of concentration by the Bank in the coming years within the overall environmental priority areas of its policy are expected to be *climate change*, including adaptation and renewable energy and energy efficiency; *land degradation*, with emphasis on desertification and deforestation as the two most pressing environmental challenges in many African countries; and *water management and fisheries*, with an emphasis on national and transnational programs to maintain and improve access to and preservation of water resources. However, AfDB's mandate and contributions will not be confined to these three areas of focus. Future activities will be determined in close consultation with the Bank's RMCs and with full respect of country ownership and priorities.

AfDB's three areas of concentration in the coming years correspond closely to the three GEF focal areas of climate change, land degradation, and international waters. But directly or indirectly, AfDB-supported projects and programs may also address the other GEF focal areas of biodiversity, POPs, and the ozone layer.

In 2003, the Bank became a GEF Executing Agency with direct access to GEF full project resources. The operational procedures for direct access were finalized only in 2005. The newly created Sustainable Development Division (formerly the Poverty Reduction and Sustainable Development Unit) in the Bank's Operations Policy and

Compliance Department acts as the GEF focal point for the Bank. Recently, starting in 2006, the Sustainable Development Division has significantly increased its efforts to work closely with operational departments in building GEF pipelines of projects and programs and assisting staff in preparing and processing GEF proposals. The division has also started an internal GEF training program.

With respect to the environmental area, the Sustainable Development Division is mandated to ensure compliance with environmental policies and environmental assessment procedures and, in this context, to provide support to operational staff to mainstream the environment in project and country operations. The division is also in charge of promoting and undertaking training and capacity building for Bank staff and RMC representatives as well as to develop new policies and tools for mainstreaming environmental sustainability in Bank operations. The Bank's operational departments and divisions provide the direct links between the Bank and the RMCs.

A 2003–04 Evaluation on Environmental Management of AfDB Projects by the Bank's independent evaluation office concluded that the Bank has been successful in developing updated environmental and social policies, procedures, and guidelines. With regard to their application, improvements were suggested with respect to better and more systematically mainstreaming the new Environmental Policy and guidelines into Bank operations, improving communication with the RMCs, harmonizing categorization and assessment procedures with those of other donors, and strengthening monitoring and evaluation capacity on environmental issues. While working on these issues internally, the Bank is also determined to closely work with the GEF in increasing the effective utilization of GEF resources and tools.

Field Presence Specific to GEF Affairs

AfDB currently has 14 country and (sub)regional offices, many of them established in the last few years.² Country offices are equipped with a limited number of senior management, administrative, and technical staff, the latter mostly in sectors with important projects/programs in the respective countries. The Bank currently has few, if any, technical staff based in country offices who specialize in cross-cutting themes such as the environment and environmental sustainability. A new policy to enhance decentralization is under preparation. This eventually could lead to more technical environmental staff in country and (sub-) regional offices.

Involvement in Nonproject Work of the GEF

AfDB fully supports the four conventions guiding the GEF: the United Nations Convention on Biological Diversity, the United Nations Framework Convention on Climate Change, the United Nations Convention to Combat Desertification, and the Stockholm Convention on Persistent Organic Pollutants.

AfDB is participating in the following nonproject strategic work and task forces:

- Land Degradation Task Force (regularly)
- Climate Change Task Force, including the Adaptation Task Force (regularly)
- Biodiversity (not regularly)

In addition, AfDB provides, on a more or less regular basis and as requested, feedback on strategy papers (such as the ones on GEF's new focal area strategies and priorities). The Bank also comments on GEF Council papers (for example, the programming paper for the Least Developed Countries Fund on adaptation and that on the comparative advantages of IAs and ExAs). AfDB also contrib-

utes to ad hoc exercises such as the Joint Evaluation of the GEF Activity Cycle and Modalities and to other strategic and knowledge products—for example, the recent study on resources mobilization for sustainable land management and knowledge management. AfDB has, in some cases, provided comments on other Agencies' projects and programs. It is also active in all discussions that are ongoing among the ExAs.

Notes

1. As expressed in a statement by Vice President Joseph Eichenberger at the Third GEF Assembly Meeting in Cape Town, South Africa, August 2006.
2. These are Nigeria, Burkina Faso, Senegal (regional), Mali, Ethiopia, Uganda, Tanzania, Rwanda, Gabon (regional), Cameroon, Egypt, Morocco, Madagascar, and Mozambique (regional).

European Bank for Reconstruction and Development

Mandate of the EBRD to Work in the Environment

The European Bank for Reconstruction and Development was established in 1991 to provide support to the emerging private sector in the countries of Central and Eastern Europe and the former Soviet Union. Today EBRD uses the tools of investment banking to help build market economies and democracies in 28 countries from Central Europe to Central Asia. EBRD is the largest single investor in the region and mobilizes significant foreign direct investment beyond its own financing. It is owned by 60 countries and 2 intergovernmental institutions. Despite its public sector shareholders, it invests mainly in private enterprises, usually together with commercial partners. It provides project financing for banks, industries, and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies to support privatization, restructuring of state-owned firms, and

improvement of municipal services. The Bank uses its close relationship with governments in the region to promote policies that will bolster the business environment. The EBRD mandate stipulates that it must only work in countries that are committed to democratic principles. Respect for the environment is part of the strong corporate governance attached to all EBRD investments.

Capacity to Work in the GEF Focal Areas

EBRD is the largest investor in its region and leverages many times more funding from private sector sources. It makes extensive use of technical cooperation funds to support project development and implementation activities. During 1991–2005, the Bank's technical cooperation commitments which directly support investments totaled €687 million. Most of these funds were used to assist with the preparation and implementation of EBRD investment projects. The value of the investments directly supported by donor-funded technical cooperation funds at the end of 2005 was €34.5 billion (of which the Bank had contributed €14.5 billion). The leveraging effect was 49:1; in other words, €49 were mobilized in investment capital for each euro of technical cooperation funding provided.

EBRD possesses a range of dedicated country and sector banking teams including an Energy Efficiency and Climate Change Team and a Municipal Environmental Infrastructure Team (covering such areas as water supply, wastewater collection and treatment, solid waste management, district heating, and urban public transport). These two teams, in particular, are experienced in the use of grant funding to both support the development of projects and to blend with commercial funds.

EBRD adopts a flexible approach and responsiveness to the particular needs of its clients. This approach is similar to that of commercial banks.

A project has to be commercially viable to be considered. Financing is provided on a commercial basis. EBRD recognizes that investors face a wide variety of risks and offers an extensive range of risk-sharing structures that provide additional commercial security and political comfort. The Bank draws on its government contacts, special creditor status, and sizable portfolio to assess and bear risk and to open the options for financing.

EBRD shows complementarity with, rather than displacement of, private sources of finance. The Bank invests only where it can provide added value by investing in projects that could not otherwise attract financing on similar terms. EBRD works in partnership, drawing other investors and serving as a catalyst to attract additional investment. When EBRD has all the necessary information, a project typically takes three to six months from initiation to signing of the project documents. Financing can range from maturities of 1 year for working capital or trade financing projects to 15 years for long-term sovereign infrastructure projects.

Field Presence

EBRD currently operates in 28 countries within the region and has at least one resident office within each of these. Some larger countries, such as Russia and Kazakhstan, also have subregional offices to bring EBRD staff closer to the business needs. Regional offices are typically staffed by a mixture of international and national staff and provide an in-depth knowledge of the social, economic, and political conditions within the country and help to generate and implement new projects as well as monitor existing operations.

Involvement in Nonproject Work

Participation in nonproject work has been selective. For example, EBRD has no connection with the conventions, their secretariats, or any policies or strategies developed by them. EBRD does refer-

ence various conventions within its Environmental Policy (section 42) and commits itself to supporting their implementation through the investments it makes. EBRD has participated in some task force meetings on climate change, usually by teleconferencing, particularly where there is a topic of interest. EBRD does not currently participate in any other technical groups or the STAP.

Food and Agriculture Organization of the United Nations

Mandate of FAO to Work in the Environment

Three global interrelated goals have been discerned from FAO's Basic Text, which describes the mandate and sphere of competence of FAO, as follows:

- Access of all people at all times to sufficient nutritionally adequate and safe food, ensuring that the number of chronically undernourished people is reduced by half by no later than 2015
- The continued contribution to sustainable agriculture and rural development, including fisheries and forestry, to economic and social progress and the well-being of all
- The conservation, improvement, and sustainable utilization of natural resources, including land, water, forest, fisheries, and genetic resources for food and agriculture

Priorities for reducing hunger cannot be separated from those for sustainable management of natural resources and ecosystems. The close causal linkages among hunger, poverty, and environmental degradation underscore the need for multidimensional approaches to their reduction and have been important considerations in the development of FAO's strategic and programmatic priorities.

FAO's Strategic Framework (2000–2015) specifically highlights the twin objectives of sustainable

production and natural resource conservation. In adopting this framework, FAO's member countries confirmed FAO's commitment to help countries and regions develop coherent policies and programs for efficient and socially desirable management of terrestrial and aquatic resources. The strategy also aims for the conservation, improvement, and sustainable utilization of natural resources, with special emphasis on fragile ecosystems and environments at greatest risk. At the same time, it commits to tackle these issues by

- broadening partnerships,
- enhancing interdisciplinarity,
- capacity building,
- knowledge management,
- dissemination of best practices.

Through its broad technical expertise, global representation, and strong partnerships with country members, other UN agencies, financing agencies, research institutions, NGOs, civil society organizations, and the private sector, FAO is working to create a broad, united front against hunger, while improving the conservation and management of natural resources. This, in turn, contributes to global efforts to address critical environmental issues.

Capacity to Work in GEF Focal Areas

FAO's Strategic Framework (2000–2015) and Medium-Term Plan 2002–2007 and the GEF Strategy, operational programs, and strategic directions highlight the strategic match between FAO and GEF strategic and program priorities.

This strategic match and FAO's technical capacity to work in the GEF focal areas indicate a full match in several biodiversity activities, in adaptation and mitigation to climate change (full match), in international waters (full match in catalyzing reforms, on-the-ground stress reduction, addressing of transboundary water concerns and related

capacity building, and all operations related to fisheries; partial match in other areas), in land degradation (full match in most areas), and in POPs (full match in pesticide risk reduction). For more details on FAO's comparative advantage in the areas of biodiversity, climate change, international waters, land degradation, and POPs, FAO has produced a series of fact sheets that highlight FAO's expertise, experience, and work—both GEF and non-GEF—in the following thematic areas: adaptation for agriculture, biodiversity, bioenergy, biosafety, integrated land and water management, international waters, payment for environmental services, POPs, sustainable fisheries management, sustainable forest management, and sustainable land management. This match has also been summarized in a more detailed matrix which is also available.

It is through its capacities for marshaling international agreements and partnerships, disseminating information, providing broad in-house technical expertise through networks of regional and national field offices, and mobilizing resources that FAO can best partner with the GEF in promoting a balanced agenda on environment and development and in assisting in better meeting the needs of FAO's and the GEF's common membership. These capacities include the following.

- **Global convening powers.** FAO facilitates some of the world's most important international forums for intergovernmental consultation, building consensus and setting standards in agriculture, forestry, and fisheries and is the depository for numerous international treaties and agreements.
- **Broad in-house expertise.** FAO's staff of professionals and experts in its Agriculture, Economic and Social, Fisheries, Forestry, Sustainable Development, and Technical Cooperation Departments and its Legal Office bring

the type of expertise needed to address these issues. Interdepartmental cooperation and processes within headquarters and decentralized regional and subregional offices allow FAO to link global natural resource management goals with local needs. FAO's commitment to interdisciplinarity and partnerships is put into action through interdepartmental working groups—such as those on biodiversity, bioenergy, biosecurity, biotechnology, climate change, desertification, and sustainable livelihoods—that bring together technical expertise from various departments to examine complex issues.

- **Information systems and networks.** FAO, a prime provider of data and information on food, agriculture, land, water, fisheries and forestry resources (see box A.1.1), stands at the

forefront of gathering and disseminating such information through its member countries and field projects. Online databases, thematic knowledge networks, and a new Best Practices Web site pull together and disseminate information to help policy makers and individuals make better informed decisions, strengthen links, and facilitate sharing and exchange of information.

- **Project preparation and resource mobilization capacity.** FAO's Technical Cooperation Department, through its program development and resource mobilization unit and its Investment Centre Division—and, in turn, their cooperative programs with bilateral donors and multilateral financing institutions—has been instrumental in mobilizing resources in support of technical assistance, capacity build-

Box A.1.1

FAO Builds Databases to Share Knowledge

With the support of global networks of experts, FAO compiles and supports a range of world-class reference databases, standards, and regulatory norms that make cutting-edge and up-to-date information available online to all. FAO sponsors dozens of databases, including the following:

- The state of food and agriculture (FAOSTAT), land (TERRASAT), water (AQUASTAT), and aquatic (FISHSTAT) resources
- Water administration (FAOLEX)
- Food safety and quality (WHO/FAO guidelines)
- The Global Forest Resources Assessment (FRA)
- Global Information and Early Warning System on Food and Agriculture (GIEWS)
- Global Information System on Forest Genetic Resources (REFORGEN)
- Domestic Animal Diversity Information System (DAD-IS)
- Database on Introductions of Aquatic Species (DIAS)
- Land Resource Information and Decision Support System (LRIS)
- Terrestrial Ecosystem Monitoring Sites (TEMS) of the Global Terrestrial Observing System (GTOS); Interactive Bioenergy Information System (i-BIS)
- Biotechnology in use or in the pipeline in developing countries (FAO-BioDeC)
- Fisheries Global Information System (FIGIS)
- Fisheries Resources Monitoring System (FIRMS)
- Fishing Vessel Monitoring System
- Fisheries and Management Systems Fact Sheets

In addition, FAO contributes to the digital soil map of the world and derived soil properties (FAO/UNESCO), the FAO/IIASA Global Agro-ecological Zones Study, Land Degradation Assessment in Drylands (LADA), land cover information such as Africover and its expansion under the Global Land Cover Network (GLCN).

ing, and investment projects in agricultural and rural development, environment, and natural resource management. The FAO GEF Coordination Unit in the Technical Cooperation Department facilitates organization-wide support to GEF projects and the mobilization of cofinancing.

FAO has worked closely with the GEF since its pilot phase. This ongoing relationship has given FAO significant experience and familiarity with ever-evolving GEF strategies, priorities, and eligibility criteria. At the project level, FAO technical divisions are currently involved directly in the preparation and execution of some 20 GEF projects in the focal areas of POPs, biodiversity, international waters, land degradation, and climate change. In addition, through its cooperative programs with the World Bank, IFAD, and other financing institutions, the FAO Investment Centre has assisted in the preparation, appraisal and supervision of some 60 GEF projects (see box A.1.2), a number of which have been used by the GEF Secretariat as examples of best practices or in its training materials.

- **Global partnerships.** FAO works in broad partnership with governments; national, international, and nongovernmental institutions; and civil society to broaden the base of understanding and increase chances for success in addressing existing and future sustainable development and environmental priorities. FAO provides technical advice and support to the multilateral environmental agreements, including the Convention on Biological Diversity; the United Nations Framework Convention on Climate Change, including the Kyoto Protocol; the United Nations Convention to Combat Desertification; and the Stockholm Convention on Persistent Organic

Box A.1.2

FAO Investment Centre's Active Engagement in the Preparation of GEF Projects

The FAO Investment Centre Division, with some 65 multidisciplinary professional staff, operates under cooperative agreements with international financing institutions, including several GEF Agencies—specifically, the World Bank, IFAD, and the four regional development banks. The Centre's main role is to help developing countries identify and formulate agricultural and rural development investment programs and projects for external financing, including a large number of environmental and natural resource management projects. Under these agreements, the Centre has assisted in the preparation and supervision of more than 60 national and regional GEF projects in Africa, Asia, Europe, and Latin America and the Caribbean. In the Latin America region alone, this includes 27 projects, amounting to \$520 million in total project costs, of which \$144 million is GEF financing and the remaining \$376 million is cofinancing. The Centre assisted Brazil, for example, in the design of seven projects that address biodiversity protection, climate change, and land degradation issues while strengthening local communities, NGOs, and national and subnational environmental agencies, for a total of \$88.6 million, of which \$37.4 million is from GEF resources.

Pollutants; as well as to other major international agreements and conventions, such as the United Nations Convention on the Law of the Sea and the International Treaty on Plant Genetic Resources for Food and Agriculture. FAO furthermore hosts the Secretariat of the Intergovernmental Commission on Genetic Resources for Food and Agriculture, the Secretariat of the Rotterdam Convention, and the Secretariat of the International Plant Protection Convention, among others. As an example of the high priority FAO attaches to its relations with the Convention on Biological Diversity, FAO has outposted a senior liaison officer in the convention.

FAO's Network of Field Offices

FAO has representation in 74 countries; an additional 37 countries are covered by double/multiple accreditation with an assistant FAO representative or national correspondent. In addition, FAO maintains five regional offices, with a full range of technical and operations staff, in Accra (Ghana), Bangkok (Thailand), Cairo (Egypt), Santiago (Chile), Rome (Italy for Europe); and six sub-regional offices operating from Ankara (Turkey), Apia (Samoa), Bridgetown (Barbados), Budapest (Hungary), Harare (Zimbabwe), and Tunis (Tunisia). Five liaison offices (Brussels, Geneva, New York, Washington, D.C., and Yokohama) also support the work of the organization.

The extensive network of FAO country representations, outposted technical officers, and national correspondents is able to maintain close relationships and support interdisciplinary collaboration among ministries and other governmental and nongovernmental institutions covering agriculture, forestry, fisheries, environment, and economic planning, thereby providing holistic and integrated solutions to global problems.

FAO's Involvement in Nonproject Work

FAO's broad technical expertise in the areas of GEF strategic and program priorities have contributed to the development of several operational programs, particularly OP12 (Integrated Ecosystem Management), OP13 (Agricultural Biodiversity), OP14 (Persistent Organic Pollutants), and OP15 (Sustainable Land Management). FAO has contributed to GEF thinking on program and strategic directions, such as the strategic directions for GEF-4 in the focal areas of land degradation, POPs, and international waters, and in the preparation of numerous GEF Council documents (such as the forestry paper, land coherence paper, fee structure, and monitoring and evaluation reports, among others). In June 2002, FAO and the GEF

Secretariat jointly sponsored a workshop in Rome on productive uses of renewable energy; in September 2005, FAO hosted a meeting to review and discuss the draft Council document "GEF Activities Related to Forests."

FAO participates regularly in the GEF task forces on land degradation and POPs, and, on a more ad hoc basis, in operational task forces such as that on the Resource Allocation Framework. With regard to this last, FAO has participated in a number of the RAF subregional workshops, as well as in several country dialogue workshops. Although the GEF Program on Biosafety Capacity Building is a UNEP-GEF project, FAO has served as a member of the project steering committee. FAO technical staff have also participated in a number of STAP meetings and workshops, such as those on sustainable land management (March 2005 and April 2006), biofuels (July 2005), managing the subsurface environment (September 2005), strategic options and priorities in groundwater resources (April 2004), and others, and has provided comments on related STAP documents.

In addition, as a GEF Executing Agency, FAO contributes and responds to requests for information from the GEF Secretariat on knowledge management and management information systems, financial management procedures, and other corporate activities, as well as to requests from the GEF Evaluation Office for information and inputs to reviews, including those on the Activity Cycle, project-at-risk systems, monitoring and evaluation processes, and the comparative advantages papers; and provides other inputs as requested by the GEF Secretariat, Evaluation Office, and GEF Trustee.

Inter-American Development Bank

Mandate to Work in the Environment

IDB's mission in Latin America and the Caribbean is to contribute to the acceleration of the

process of economic and social development of its member countries, individually and collectively. The Bank's two main goals are to promote poverty reduction and social equity as well as environmentally sustainable growth. To attain these goals, the Bank focuses its work on four priority areas: (1) fostering competitiveness through support for policies and programs that increase a country's potential for development in an open global economy, (2) modernizing the state by strengthening the efficiency and transparency of public institutions, (3) investing in social programs that expand opportunities for the poor, and (4) promoting regional economic integration by forging links among countries to develop larger markets for their goods and services.

Environment has become a cross-cutting issue for development and poverty reduction for the IDB. As such, the Board of Directors approved on January 2006 the Environment and Safeguards Compliance Policy,¹ which has three specific objectives: (1) to enhance long-term development benefits by integrating and mainstreaming environmental sustainability outcomes in all Bank operations and activities, and by strengthening environmental management capacities in its borrowing members; (2) to ensure that all Bank operations and activities are environmentally sustainable; and (3) to foster corporate environmental responsibility within the Bank. This policy is an instrument for change for the IDB, considering that it creates the conditions to shift from a standard approach that looks at the environment as a sector to a new approach that is cross cutting and strategic.

IDB in the GEF Focal Areas

IDB agreed to join the GEF to enhance the Bank's mission and goals. IDB's relationship with the GEF started in 1999 as a limited partner with indirect access through the Implementing Agencies. Since completion of the memorandum of understand-

ing in 2004,² IDB has had direct access as an Executing Agency under the GEF policy of expanded opportunities. IDB finances operations in several areas that are compatible with GEF focal areas:

- Biodiversity: protected areas, marine and coastal resources, sustainable forestry, biotechnology
- Climate change: rural electrification, urban transportation, carbon trade, greenhouse gas abatement, adaptation to climate change
- International waters: transboundary watersheds
- Land degradation: soil conservation/erosion control, hillside sustainable agriculture
- POPs: integrated pest management, agrochemical substitution

To foster its environmental agenda, IDB has over 60 specialists working in environmental safeguard compliance and environmental project development in its headquarters and country offices in each of the 26 countries in which the Bank operates. These specialists work in project teams that combine skills in institutional, financial, technical, social, and economic issues. IDB also manages technical assistance funds to hire specialized consultants as needed. In addition, IDB has partnerships with bilateral governments to support specific areas of work: climate change, biodiversity, international waters, and land degradation. There are other relevant IDB funds to support natural disaster prevention/climate change adaptation and regional public goods.

GEF project design and implementation generally is handled by IDB's operational departments (three regional departments and the Private Sector Department, plus the Multilateral Investment Fund), which have their own environment and

sector specialists. These efforts are supported by the Environment Division within the Sustainable Development Department, which serves a GEF facilitation function. By the nature of IDB's interaction with its member countries, all projects—including GEF initiatives—are consistent with national priorities and strategies, since Bank programming must be agreed with ministers of finance.

To date, the GEF has accepted into its pipeline 16 IDB projects since the beginning of the relationship. Of these, six have been approved,³ resulting in \$20.29 million in GEF financing and \$141 million in direct cofinancing. Additionally, the GEF has provided \$3.80 million for project preparation.

IDB has engaged strategically with the GEF on broader policy/corporate matters through the provision of comments on key documents and participation in GEF-sponsored meetings, and by taking part in a variety of policy discussions. Such engagement includes IDB's participation in the last GEF Assembly; the latest GEF Council meetings; the GEF Biodiversity, Climate Change, and RAF Task Force meetings; other GEF-related meetings such as the recent subregional consultations on the RAF held in Panama City; the recent Joint Evaluation of the GEF Activity Cycle and Modalities exercise in New York; and the present evaluation.

Comparative Advantages/Competencies for IDB within the GEF

Besides the technical capacities and results mentioned above, the nature of IDB's actions are consistent with GEF purposes. The GEF Council decision regarding the roles of the regional development banks participating in the GEF restricts the stated comparative advantage to investment financing. Indeed, according to the decision, RDBs should “support investment projects at the coun-

try or multicountry level and mobilizing private sector resources within their respective regions.” However, in the case of IDB, its development role and mission also include—among others—capacity building and technical assistance, policy and strategy development, knowledge and innovation, national and local governance, and participatory processes and community empowerment. The process of identification, preparation, and approval of IDB projects always requires integral approaches. Investments without institutional and capacity building are not considered to be feasible.

Field Offices

IDB has offices in each of its member countries in Latin America and the Caribbean. These offices are in charge of program/project administration, focusing on the execution of all IDB operations, including GEF projects. The Bank has hired three environmental specialists dedicated exclusively to administer and monitor GEF operations in the field.

Notes

1. The policy entered into effect six months after Board approval (in July 2006).
2. The IDB Board of Directors approved this new GEF program in May 2004 (see document GN-2304-1).
3. Including the Integrated Ecosystem Management of the Sixaola River Basin approved in August 2006, with a total of \$3.5 million in GEF funds and \$13.4 million in counterpart funds.

International Fund for Agriculture and Development

Mandate and Experience

IFAD, a specialized agency of the United Nations, dedicated to eradicating rural poverty in developing countries, commenced operations in 1978.

IFAD is an innovative partnership among the Organisation for Economic Co-operation and Development, the Organization of Petroleum Exporting Countries, and developing countries.

Since its establishment, IFAD has invested some \$9.0 billion (Sub-Saharan Africa: 36 percent, Near East and North Africa: 17 percent, Asia and the Pacific: 32 percent, Latin America and the Caribbean: 16 percent) in over 706 projects and programs that have reached around 300 million poor rural people. Sixty to 80 percent of IFAD's investments and grants support community-based natural resource management activities. Most of its resources are provided in the form of loans to governments—much of it on highly concessional terms; while its grant funds (corresponding to 10 percent of loans) are provided not only to governments but also to international and national nongovernmental agencies.

Poverty Focus

IFAD has recognized the need to address the environmental implications of poverty alleviation through increased environmental considerations in its country programs. Many IFAD-supported programs have been implemented in remote and marginal areas, and have targeted some of the poorest and most deprived segments of the rural population as well as many degraded ecosystems of global significance. This was duly recognized by the 2001 GEF Council which approved the inclusion of IFAD under expanded opportunities because of its expertise in land degradation, rural sustainable development, and integrated land management, and its critical role in the implementation of the United Nations Convention to Combat Desertification.

IFAD has been working intensively in marginal lands, degraded ecosystems, and post-conflict situations, which widens the GEF spectrum of inter-

ventions to reach more people and ecosystems in degraded and vulnerable environments. IFAD works toward achieving the Millennium Development Goals, with a particular focus on goal 1 (eradicate extreme poverty and hunger), goal 3 (promote gender equity and empower women), and goal 7 (ensure environmental sustainability). Such a focus will enable the GEF to work more directly to achieve the Millennium Development Goals.

Country Ownership and Sustainability

IFAD recognizes that vulnerable groups can and do contribute to economic growth. These groups have shown that they can play a significant role in holistic and sustainable development, provided the causes of their poverty are understood and enabling conditions are created. Their perceptions of their own opportunities and constraints form the backbone of IFAD's knowledge base. This diversity of people and contexts has led to the accumulation of a valuable body of experience and knowledge. It has also required IFAD to maintain a highly flexible and participatory approach in responding to the specificities of rural development around the world. To expedite delivery, IFAD makes executing arrangements at the local level; that is, all of IFAD's loans are nationally executed, therefore enhancing an approach to sustainability.

Innovation

IFAD is strongly committed to bringing innovation to the rural poor by complementing local know-how with the transfer of new techniques and approaches that can be adapted to local needs. Such efforts are complemented and strengthened with strong knowledge management and dissemination of best practices to wider impact.

IFAD has an extensive portfolio of grants for technology development relative to small-farmer agri-

cultural production and productivity challenges. A portfolio that has delivered technical innovations for smallholders and has had an acknowledged impact in strengthening the pro-poor orientation of IFAD's partners in key technology development, including the Consultative Group on International Agricultural Research system as a whole. In addition, and partly financed by its grant facility, IFAD hosts the global facilities of the Global Mechanism for the United Nations Convention to Combat Desertification and the International Land Coalition. The two objectives of the grants program are adaptive research aimed at reducing rural poverty and associated capacity building. In addition, IFAD has an Innovation Mainstreaming Initiative, seeking to bring together and enhance IFAD's innovativeness in reducing rural poverty in its country programs.

Comparative Advantages

Strategic fit. IFAD's activities are guided by the Strategic Framework for IFAD 2002–2006: Enabling the Rural Poor to Overcome Poverty. The framework's three strategic objectives are to (1) strengthen the capacity of the rural poor and their organizations, (2) improve equitable access to productive natural resources and technologies, and (3) increase access by the rural poor to financial services and markets. GEF-IFAD projects match the three strategic objectives. The new strategic framework for 2007–10 is being finalized and will further sharpen the focus of GEF-IFAD interventions.

Associating IFAD's lending instruments with GEF grants widens the spectrum of interventions of both organizations and strengthens the development of programs and projects in marginal lands, degraded ecosystems, and post-conflict situations.

IFAD's operations are driven by the Results-Based Country Strategic Opportunities Programme, a

strategic guiding instrument for the identification of choices and opportunities through which IFAD investments can ensure a positive impact on poverty. GEF projects are fully embedded in IFAD's investments and thus do not require the establishment of new implementation arrangements.

Multiplier effect. IFAD's flexible program approach and long-term lending framework, together with its ability to secure high cofinancing ratios, enable it to play a crucial role as a GEF Executing Agency. Catalytic investments mobilize greater resource flows, leading to a considerable multiplier effect for both IFAD and GEF investments. All IFAD-GEF initiatives feature a high level of cofinancing. For each dollar provided by the GEF, IFAD so far has mobilized an average of \$5.26. At present, GEF funding of about \$36.0 million has leveraged cofinancing of approximately \$191.0 million.

Partnerships. IFAD brings added value to the GEF family through its diversified and innovative alliances with development partners, including NGOs, civil society, and international organizations. By focusing its development work on farmers' associations and other organizations maintained by poor people themselves, IFAD supports partnerships at the grassroots community level. These partnerships are essential for translating local efforts into global environmental benefits, seizing new opportunities for accessing innovative financing mechanisms in support of the rural poor, and ensuring sustainability.

International partners include such organizations as the Organization of the Petroleum Exporting Countries Fund for International Development, the Islamic Development Bank, the Arab Fund for Economic and Social Development, and the West African Development Bank.

Safeguards. Environmental assessment of the Fund's lending operations as a regular feature is

aimed at ensuring that they are environmentally sound and sustainable.¹ The broad areas of potential environmental risks and impacts could relate to

- natural environment (air, water, and land),
- human health and safety,
- social aspects (involuntary resettlement, indigenous people, and cultural property),
- transboundary and global environmental issues.

Private sector. IFAD is building its relationship with the private sector on three pillars:

- Working with the corporate sector at the project level
- Investigating means to access capital markets
- Participating in the ongoing dialogue on new technologies

IFAD recently adopted the Private-Sector Development and Partnership Strategy, which centers on capital markets and the corporate sector. In addition, a framework for market-based cofinancing of IFAD projects and programs has been approved. Furthermore, the Fund is developing guidelines on private sector mainstreaming in its Results-Based Country Strategic Opportunities Programme. IFAD is also collaborating with the Deutsche Bank's Microcredit Development Fund, which provides guarantees to microfinance institutions operating in IFAD project areas, allowing them to access resources from local commercial banks.

Sustainability and management of GEF operations. In August 2004, IFAD established a unit specifically dedicated to enhancing its role as a GEF ExA and to demonstrate its catalytic role in addressing the links between poverty and environmental degradation. To better discharge its

function as a GEF Agency and comply with GEF requirements, all necessary procedures have been established, ranging from quality control and streamlined project cycle to financial management and legal procedures.

There is also an independent unit for the evaluation of the Fund's operations and policies, the Office of Evaluation and Studies. This office's activities cover various project evaluations and completion reports, thematic studies, and preparation of lessons learned.

In-house capacity. IFAD has proven in-house capacity in designing and managing GEF projects. The Fund's internal capacity and diversity of expertise (agronomists, economists, sociologists, anthropologists, and environmentalists, among others) across its various departments, regional divisions, and the GEF unit, coupled with its deep knowledge of field reality, offers the appropriate profile to design impact-oriented and high-quality GEF components. In this respect, project development team and technical review committee meetings are multidisciplinary internal review meetings that provide quality assurance functions and enable better GEF project design, implementation, and supervision.

The Way Forward

IFAD will develop investment programs directed at delivering global environmental benefits as well as significant gains for rural poor people, articulating a stronger role for local partnerships and community empowerment based on community-driven approaches and advocacy for the rural poor. IFAD has prepared a business plan for its GEF-4 portfolio. The business plan is another strategic tool to further mainstream GEF operations within IFAD's baseline investments and to identify GEF opportunities that would maximize both impact and sustainability.

The IFAD-GEF partnership is aiming progressively to broaden the corporate strategies of both organizations by bringing together poverty reduction and sustainable natural resource management as key items on the same agenda.

Participation in GEF Upstream Activities

IFAD has been participating, when requested, in upstream activities. For example, it has provided feedback on various GEF Council documents (GEF-4 Programming Framework, land coherence paper, forest paper, monitoring and evaluation procedures, comparative advantages, fees policy, OP15 strategy). Additionally, IFAD is an active member of the Land Degradation Task Force and the RAF Team. With regard to the RAF, the GEF Secretariat called upon IFAD to share its experience in implementing a similar tool, the Performance Based Allocation.

IFAD Expertise Relevant to GEF Focal Areas

IFAD has expertise in the following relevant areas:

- **Land degradation**—integrated watershed and ecosystem management, combating desertification and land degradation, soil fertility and improved land productivity, policy dialogue and access to productive assets and technology, sustainable management of rangelands and silvo-pastoral resources, forests and agricultural land management, and capacity-building and mainstreaming of sustainable land management practices
- **Biodiversity**—integrated ecosystem management and community-based natural resource management, agrobiodiversity, sustainable management of national parks and adjacent buffer zones, sustainable rangeland management, promotion of local best practices and traditional know-how, agroforestry, and conservation of forest biodiversity

- **Climate change**—payment for environmental services, biocarbon fund, bioenergy, renewable energy in rural areas, climate change adaptation and mitigation, and carbon sequestration through sustainable land management
- **International waters**—integrated watershed management, integrated water resources conservation, and harvesting and aquifers conservation particularly in arid lands

Field Presence

IFAD has initiated a pilot program whereby 15 field offices were created.

Note

1. IFAD, “Administrative Procedures for Environmental Assessment in the Project Cycle,” President’s Bulletin No. 94/03 (2003).

United Nations Industrial Development Organization

Mandate of UNIDO to Work in the Environment

UNIDO’s mandate is described in “UNIDO Strategic Long-Term Vision,” adopted by the UNIDO General Conference in December 2005 (UNIDO 2005). UNIDO promotes sustainable industrial development, focusing its interventions in the developing countries and transition economies, and concentrating on three thematic areas:

- **Poverty reduction through productive activities.** UNIDO focuses on enabling the poor to earn a living and so concentrates on private sector development and agro-industrial development.
- **Trade capacity building.** UNIDO builds up the technical infrastructure required to participate in international trade, strengthens key export sectors that require support services, and offers programs to facilitate market access.

- **Energy and environment.** UNIDO helps its clients solve two fundamental problems: delinking intensity of energy and material use from economic growth, and reducing the environmental damage that occurs with energy and material use.

The services UNIDO offers in these thematic areas fall into eight service modules:

- SM1: Private Sector Development
- SM2: Agro-Industries
- SM3: Industrial Competitiveness and Trade
- SM4: Investment and Technology Promotion
- SM5: Sustainable Energy and Climate Change
- SM6: Environmental Management
- SM7: Montreal Protocol
- SM8: Industrial Governance and Statistics

Capacity to Work in the GEF Focal Areas

Overall, UNIDO's comparative advantage for the GEF is that it can involve the industrial/private sector in projects that will deliver the global environmental benefits for which the GEF is looking. Comparing UNIDO's thematic areas and service modules against the GEF's focal areas and programming priorities for GEF-4 show strategic matches as follows.

Biodiversity focal area. Under SM4, UNIDO is involved in biotechnology, biosafety, and related issues. Through this work, UNIDO has

- a strong match in the GEF-4 priority programming area Capacity Building for the Implementation of the Cartagena Protocol on Biosafety—UNIDO's work in creating regional centers for biosafety training fits completely with GEF objectives here;
- a match in certain aspects of the GEF-4 priority programming area Generation, Dissemination, and Uptake of Good Practices for Addressing

Current and Emerging Biodiversity Issues—this is especially the case for the work on bio-prospecting with which UNIDO is involved.

Through SM1 and SM2, UNIDO also has a match in certain aspects of the GEF-4 priority programming area Mainstreaming Biodiversity in Production Landscapes/Seascapes and Sectors, where the private sector can be harnessed to mainstream biodiversity.

Climate change focal area. Under SM5, UNIDO is involved in industrial energy efficiency and renewable energy, in the latter case with a strong focus on energy for productive use in rural areas. Through this work, UNIDO has

- a very strong match in the GEF-4 low-priority programming area Industrial Energy Efficiency,
- a very strong match in the GEF-4 medium-priority programming area Renewable Energy for Rural Energy Services,
- a strong match in the GEF-4 high-priority programming area On-Grid Renewable Energy,
- a limited match in the high-priority programming area Energy Efficient Buildings and Appliances—UNIDO has applied the same systems methodology it uses for industrial energy efficiency to large commercial buildings (such as malls and offices).

UNIDO is currently evaluating if it has a role (that is, a role for the industrial/private sector) in the area of adaptation.

International waters focal area. Under SM6, UNIDO is involved in water management. Through this work, UNIDO has

- a strong match in the GEF-4 priority area Land-based Pollution (Especially Nitrogen) Creating

Anoxic “Dead” Zones in Coastal Waters, since industrial activities are one important source of land-based pollution;

- a strong match in the GEF-4 priority area Depletion of Coastal/Marine Fisheries, where the GEF recognizes that there should be “engagement of the business community in solutions”;
- a strong match in the GEF-4 priority area Conflicting Uses of Water/Climatic Fluctuations in Surface and Groundwater Basins, since industry is such a large user of water worldwide.

Land degradation focal area. Through SM1 and SM2, UNIDO is involved in the promotion of rural industries. The creation of rural industries can be used to support sustainable land management by giving rural populations productive activities that do not require direct exploitation of the land. As such, UNIDO has a focused match in all three of the strategic objectives in this focal area.

Through SM5, UNIDO is involved in biofuels, with a focus on their manufacture. As such, UNIDO has a match for sustainable production of biomass for biofuels, which is an issue under strategic objective 4, Cross-focal area synergies and integrated ecosystem approaches to sustainable land management.

Field Presence

UNIDO currently operates 42 field offices. Eleven of these are regional offices, 17 are country offices, and 14 are UNIDO “desks” within UNDP country offices. Altogether, 89 countries are covered by this network. UNIDO is planning considerable expansion of its UNIDO desks in the coming years.

UNIDO has also created several networks of partner institutions, a number of which can add value to GEF projects. There are 26 National Cleaner Production Centres, and 7 related centers and pro-

grams which can be used to promote industrial energy efficiency and cleaner production more generally. There are 12 Investment and Technology Promotion Offices and 5 Investment Promotion Units, which can be used to bring private sector investment to bear on all GEF focal areas in which UNIDO operates. There are nine International Technology Centres, three of which have direct relevance to GEF priorities (International Small Hydro Power Centre, International Centre for Promotion and Transfer of Solar Energy, and UNIDO-Shenzhen Environment Technology Promotion Centre, all of which are in China).

Involvement in Nonproject Work of the GEF

UNIDO regularly attends the GEF Council meetings and the General Assembly meetings. UNIDO also participates in person in the GEF POPs Task Force as well as the biennial GEF international waters meetings. UNIDO has also participated in STAP meetings and in various strategic meetings called by the GEF Secretariat.

UNIDO has participated in person in various ad hoc meetings, such as a series of regional meetings the GEF organized on the transboundary diagnostic analysis/strategic action program process for large marine ecosystems, and some of the subregional consultative meetings for the RAF.

UNIDO’s Evaluation Office has been involved in the recent Joint Evaluation of the GEF Activity Cycle and Modalities. Staff members have taken part in person in several planning and review missions as well as an in-country mission. UNIDO also organized one meeting in Vienna in May 2006 for the various Agencies involved in the evaluation.

Although UNIDO tries to attend as many GEF-related meetings as it can, there are still a significant number in which it cannot take part, because it has neither the budgetary nor human resources available to do so.

Attachment A.2.

Milestones That Shaped the Involvement of ExAs in the GEF Partnership

Date	Milestone
June 1992	ADB, AfDB, and IDB suggest a meeting with the World Bank to discuss the role of RDBs in the GEF, particularly in the allocation and management of GEF resources
September 1994	The four RDBs and IFAD (in an observing capacity) meet with World Bank representatives to review the status of GEF implementation and progress in drafting formal agreements between the World Bank and the respective RDBs
October 1998	The GEF Council agrees with the initial proposals outlined in the paper “Expanded Opportunities for Executing Agencies” for further deepening the opportunities for RDBs and bilateral assistance agencies in implementing GEF projects
May 1999	Direct access for determinations on project eligibility and for approval of PDF-B grants is granted for the RDBs (AfDB, ADB, EBRD, and IDB)
May 2000	FAO and UNIDO are granted expanded opportunities; there is discussion on the criteria for further expanding opportunities
November 2000	The GEF Council raises concerns over the roles and responsibilities of IAs and ExAs
May 2001	IFAD is granted direct access; FAO and UNIDO are granted access to enabling activities in POPs; the GEF Council approves the criteria for selecting new ExAs, based on their strategic match with the GEF corporate plan, capacity, and complementarity
October 2002	ADB and IDB are granted direct access to the GEF Council for GEF funding
November 2003	The GEF Council approves direct access for IFAD, EBRD, AfDB, UNIDO, and FAO acting within their agreed scope for GEF operations
May–October 2004	Memorandums of understanding and financial procedures agreements for direct access to GEF full-size project resources finalized for IDB, ADB, and UNIDO
From April–August 2005	Memorandums of understanding and financial procedures agreements for direct access to GEF full-size project resources finalized for FAO, AfDB, and IFAD
June 2006	OPS3 finds that the roles and responsibilities of IAs and ExAs are not always clear, especially with regard to collaboration and competition
June 2006	The GEF Council supports the conduct of a review of the engagement of ExAs by the GEF Evaluation Office, leading to the preparation of an action plan to strengthen their engagement
November 2006	Memorandum of understanding and financial procedures agreements for direct access to GEF full-size project resources finalized for EBRD

Annex B.

Executing Agencies GEF Portfolio Overview

B.1 Introduction

This paper¹ provides an overview of the participation of the Executing Agencies in the Global Environment Facility partnership at the project level, through the following sections:

- **The ExA project portfolio:** present status, composition, and distribution across agencies, focal areas, and regions
- **A quality-at-entry assessment of selected ExA full-size projects:** particularly focusing on a subset of GEF operational principles
- **Experience of ExAs in the GEF Activity Cycle:** a reflection on project processing times of GEF projects with ExA involvement
- **Cofinancing:** a brief section regarding cofinancing characteristics of the ExA project portfolio
- Asian Development Bank,
- African Development Bank,
- European Bank for Reconstruction and Development,
- Inter-American Development Bank,
- Food and Agriculture Organization of the United Nations,
- International Fund for Agriculture and Development,
- United Nations Industrial Development Organization.

The data for the portfolio analysis were obtained using the existing GEF Project Management Information System (PMIS) as well as the database developed by the Joint Evaluation of the GEF Activity Cycle and Modalities, for which the project data were verified by all concerned Agencies. Nonetheless, discrepancies with Agency data may persist, since the establishment of a fully reliable and up-to-date GEF project management information system with continuous data reconciliation is a work in progress. The ExAs are

B.2 Portfolio Overview

As of January 2006, there are a total of 38 approved projects with ExA involvement, representing both direct access and indirect access projects, the latter including jointly implemented projects from the GEF pilot phase through GEF-3.² These comprise 18 projects prepared by ExAs under direct access modality, as well as 20 projects prepared by Implementing Agencies with ExA participation but not under expanded opportunities. The full list of GEF projects with ExA involvement to date is included as attachment B.1. The majority of approved projects with ExA involvement originates from the international financial institutions (the three regional development banks and IFAD)

and constitutes about 68 percent of the projects in the ExA portfolio. AfDB is the only ExA that has no approved GEF project in the database, a circumstance that is largely attributed to the fact that AfDB has experienced disruptions in recent times with the relocation of its headquarters and organizational restructuring.

From the focal area perspective, 50 percent of the projects fall within the areas of climate change and biodiversity, with a relatively even distribution of the remainder among the land degradation, persistent organic pollutants, and multifocal areas (13 percent each) and the international waters area (11 percent). A relatively large proportion of these projects are in Asia (37 percent), followed by regional projects (21 percent) and projects in Latin America and the Caribbean (15 percent). Africa, Europe and Central Asia, and global projects each comprise 9 percent of the ExA portfolio. Figure B.1a gives an overview of the approved ExA

GEF projects by Agency across all GEF replenishment periods and includes jointly implemented projects with IAs. The distributions by focal area and region are reflected in figures B.1b and B.1c, respectively.

For the GEF-3 replenishment period, the ExA participation in the total project portfolio remains at a rather modest share—7.9 percent for the seven ExAs combined and including both direct and indirect access resources.³ A breakdown of this figure shows that more than half of the total approved work program budgets for ExAs falls under indirect access. This distribution is a cause for concern from the perspective of the ExAs, as it suggests a lack of recognition regarding the strategic role they can and are expected to play within the GEF partnership. The work program amounts approved by the GEF Council in GEF-3 for the ExAs as of August 2006 are shown in tables B.1 and B.2. The figures in table B.2 include all joint

Figure B.1

ExA portfolio distribution

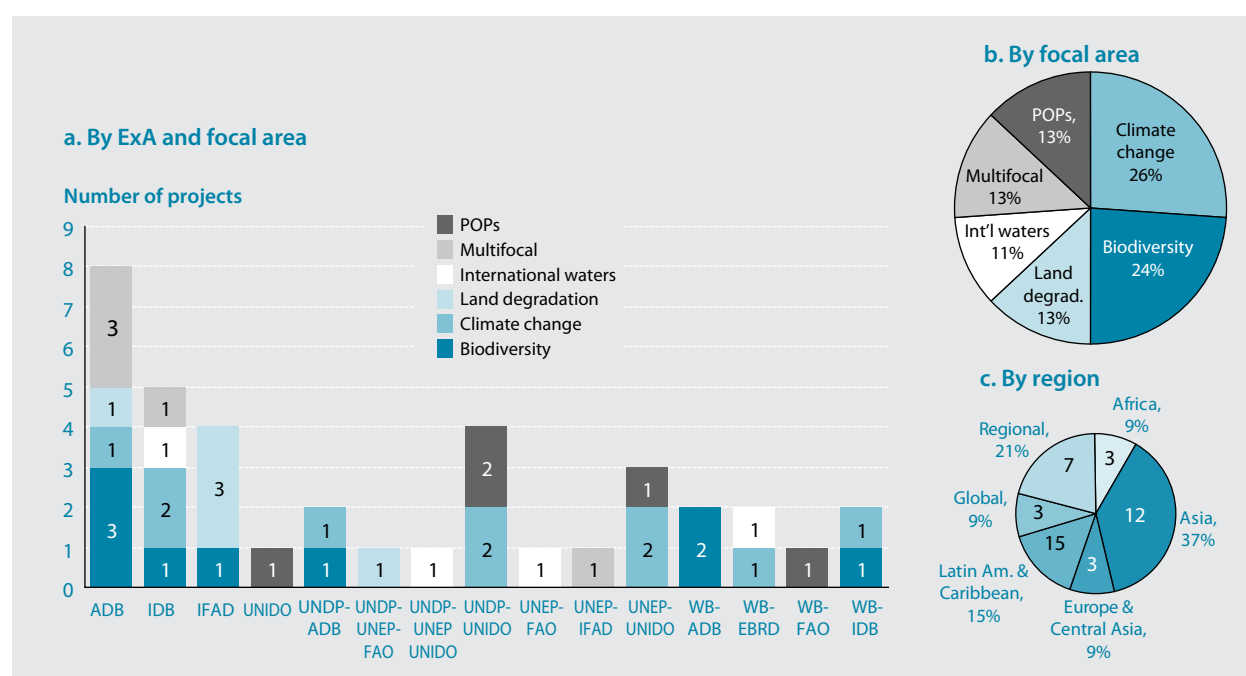


Table B.1**Direct access portfolio of ExAs in GEF-3 work programs**

Agency	Number of projects		Approved work program amount (million \$)			Share of total approved work program amount (%)
	Full size	Medium size	Full size	Medium size	Total	
ADB	4	3	50.56	2.28	52.83	2.0
IDB	4	1	15.82	1.00	16.82	0.65
EBRD	0	0	0	0	0	0.0
AfDB	0	0	0	0	0	0.0
FAO	0	0	0	0	0	0.0
IFAD	3	1	19.84	0.64	20.48	0.8
UNIDO	1	0	2.65	0	2.65	0.1
All ExAs	12	5	88.9	3.9	92.8	3.6

Table B.2**Indirect access portfolio of ExAs in GEF-3 (aggregated data)**

Agency	Number of projects		Approved work program amount (million \$)			Share of total approved work program amount (%)
	Full size	Medium size	Full size	Medium size	Total	
All ExAs	11	2	109.70	2.00	111.70	4.3

projects with ExA involvement, and include those projects with arrangements that enable direct access to resources by the ExAs.⁴ Cooperation between participating Agencies has the potential to pull together matching comparative advantages to solve global environmental problems, but is traditionally not easy to achieve.

The involvement of several Agencies also adds to the processing time for a joint project in the GEF Activity Cycle, largely resulting from the complexity of dealing with several Agency cycles and processes. An example can be found in the African Stockpiles Program, a joint project of the World Bank and FAO (see box B.1). More details regarding the processing times of projects with ExA involvement can be found in section B.4.

The total participation of ExAs in enabling activities in GEF-3 amounts to 8 percent of all approved enabling activities. The total approved amount for such activities in GEF-3 was \$143.95 million, of which \$11.42 million (8 percent) was allocated

Box B.1**African Stockpiles Program**

This 15-year program looks to clean up Africa from stockpiles of obsolete pesticides, including POPs, and introduce preventive measures that would ensure sustainability of the operation by preventing the creation of new stockpiles. In the program's first phase, the project would target 15 countries, including 7 for full clean-up and 8 for preparatory activities leading to clean-up. The GEF Agencies involved with a direct role in project implementation are the World Bank and FAO. The project has encountered a number of challenges during its development, largely due to the complexities involved in dealing with an extensive partnership (the participating countries, multiple donors, private sector) and the fact that this project was originally conceptualized with the World Bank as the lead agency and FAO in the traditional role of executing agency without direct access. Early in the project development phase, FAO was granted direct access to GEF resources for POPs, which changed the dynamics of the partnership and contributed, to a certain extent, to the delays experienced between project approval and CEO endorsement (34.5 months).

to UNIDO, the only ExA with an enabling activity portfolio. This signified a substantial participation in the total share (32 percent) of approved enabling activities for POPs. Table B.3 provides an overview of UNIDO's participation in enabling activities.

Table B.3

ExA enabling activities portfolio in GEF-3

Description	Amount
Total number of enabling activities	18
Total funding approved for enabling activities	\$11.42 M
Share of total approved for enabling activities	8%
Share of total approved for POPs	32%

With the GEF Results Allocation Framework in effect for GEF-4, countries were requested to endorse their project proposals by September 2006. At the time of this writing (October 2006), 55 endorsement letters had been received by the GEF Secretariat. A preliminary analysis of these endorsement letters reveals an imbalance in the

proposed project distribution among the 10 Agencies (see table B.4). The initial round of proposals for the climate change and biodiversity focal areas included only 5 ExA projects out of 241 (2 percent), accounting for 3 percent of the total country-endorsed allocations. An additional 4 percent of allocations for joint projects may also include ExAs, but not under direct access. These figures show no positive evolution in ExAs' involvement when compared to GEF-3. It should be noted that there is an overall imbalance, as the shares of most Agencies appear to decline relative to one Agency.

The RAF endorsements as depicted in table B.4 are presently under review, and there will likely be a request to resubmit the proposals under the RAF by the national focal points as part of an effort to remediate the continuing disparity. According to a letter sent by the GEF Chief Executive Officer to the focal points on October 5, 2006, the GEF Secretariat will assume responsibility in guiding this resubmission process. ADB noted in its comments on the Joint Evaluation report that, during

Table B.4

Preliminary RAF endorsements: number of endorsed projects by project status and Agency share in the biodiversity and climate change focal areas

Agency	New projects	Old projects	All endorsed	New projects in Agency portfolio	Agency share of total endorsements
	Number of projects			Share of projects (%)	
IAs	171	57	228	75	95
ExAs	2	3	5	40	2
Multiple (IA/ExAs)	5	3	8	63	3
All Agencies	178	63	241	74	100
Agency	Endorsed amounts (million \$)			Share of endorsed amounts (%)	
IAs	282.3	159.3	441.6	64	93
ExAs	6.0	9.9	15.85	38	3
Multiple (IA/ExAs)	11.7	5.8	17.6	66	4
All Agencies	300.0	175.0	475.0	63	100

Source: Adapted from table sent by GEF CEO to all GEF partnership Agencies on October 5, 2006.

this process, challenges regarding the technical and management capacity of the focal points need to be overcome, for which support from the partnership Agencies would be needed.

Within the context of the RAF, ADB also suggested that

a mechanism needs to be established to encourage IAs/ExAs to work according to their comparative advantage to minimize conflicts/poaching among them, or to undertake joint implementation for integrated projects such that components are managed by different agencies according to their identified comparative advantage, i.e., capacity-building by the UN Development Programme (UNDP), scientific analysis by the UN Environment Programme (UNEP), etc.⁵

On the topic of comparative advantage and its assessment, the World Bank proposed developing a concrete framework for comparative advantage assessments that would comprise essential criteria such as Agency mainstream financing and leverage potential; Agency human resources, both at technical and policy/strategic levels; and their inherent absorption capacity as evidenced by existing portfolios and core project management expertise, policies, and procedures.⁶ If GEF country focal points could be effectively informed of the comparative advantages of all GEF partnership Agencies, this would potentially pave the way to ensure the countries' access to the most appropriate Agency to help them address their priority issues within the RAF.

B.3 Quality at Entry

Desk reviews were carried out for a focused quality-at-entry assessment of ExA projects, through an ex post review of a sample of ExA approved FSPs during GEF-3. This review enabled the evaluation to obtain an overall picture of the general quality of ExA projects in the GEF-3 portfolio. A total of 22 projects consisting of 11 direct access and 11

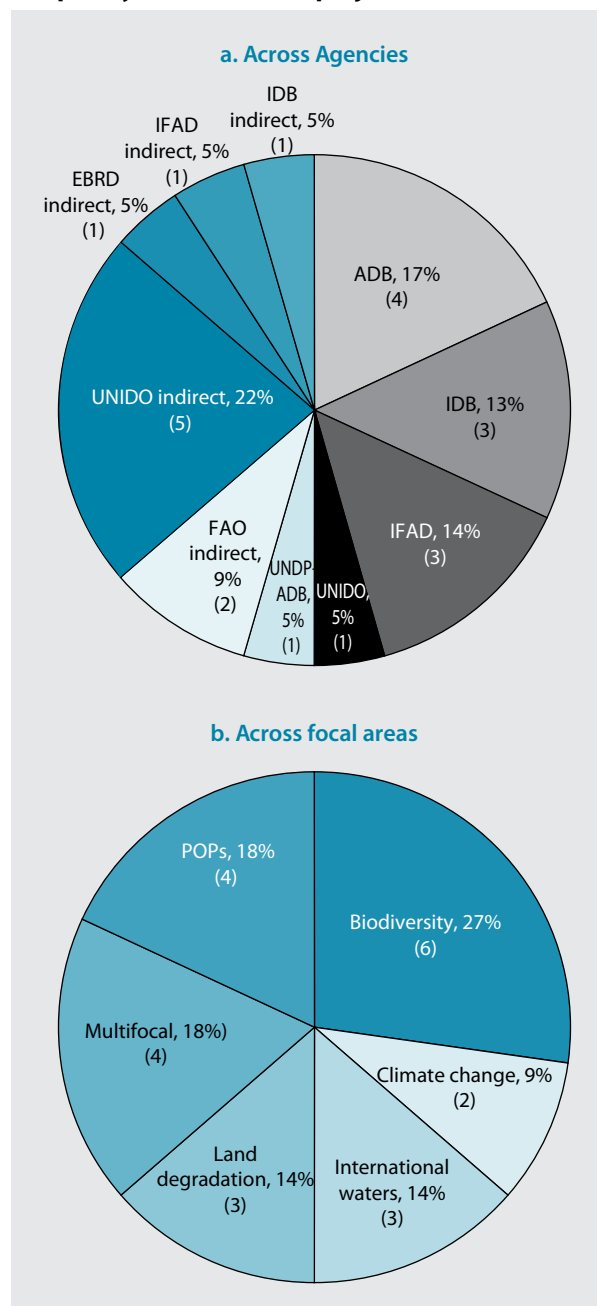
jointly implemented projects were reviewed. Use was also made of earlier quality assessments, specifically of the monitoring and evaluation quality-at-entry assessment prepared for the *Annual Performance Report 2005* (GEF EO 2006). For the latter, 74 FSPs that were CEO endorsed in FY 2005 were assessed; 68 of these were IA projects, and 6 had ExA involvement (equally split between direct and indirect access). The evaluation could therefore consider the ExA project quality vis-à-vis the “standard” quality of IA projects and track the quality of design logic, project objectives, and intended results to help ascertain the extent to which ExA projects are meeting the existing GEF requirements.

The evaluation analyzed the project documentation and associated comments raised by the GEF Scientific and Technical Advisory Panel, GEF Secretariat, IA (where applicable), and GEF Council.⁷ The projects were reviewed against the following subset of GEF operational principles: **incremental cost requirement**; **cost effectiveness**; **country drivenness**; **participatory processes**; and **catalytic role**, especially with respect to the leveraging capacity through the **cofinancing** and **M&E arrangements**. It should be noted that this quality review was not meant to be an exhaustive assessment of individual projects' technical or operational merits, as this would have entailed an in-depth specialized technical expertise in a wide range of subject matters.

Of the 11 direct access projects reviewed, ADB was the lead Agency in 4 projects (18 percent), IDB in 3 (14 percent), IFAD in 3 (14 percent), and UNIDO in 1 (5 percent). Of the 11 projects not under direct access (including joint projects), 5 (23 percent) are projects with UNIDO involvement, and 2 (9 percent) with FAO involvement; the rest are joint projects with EBRD, ADB, IFAD, and IDB (see figure B.2a). Among the focal

Figure B.2

Frequency distribution of projects



areas, biodiversity has 6 projects (27 percent), climate change 2 (9 percent), international waters 3 (14 percent), multifocal 4 (11 percent), land degradation 3 (4 percent), and POPs 4 (18 percent) (see figure B.2b). The scarcity of data points (when dis-

aggregated) does not allow for either inter-Agency or interfocal area comparisons of quality aspects of the projects. However, some comparisons can be made between direct and indirect access projects.

To assess project quality, the evaluation used the number of comments the projects received during the various reviews at different stages of project preparation as a proxy. The evaluation took into account the respective aggregated number of comments on the six operational principles mentioned above. These data were interpreted with care, since the nature and amount of comments given differ depending on the stage of preparation (for example, STAP and IA comments are given before work program inclusion; Council comments are provided at work program inclusion; and GEF Secretariat comments are provided throughout the project approval process).

Figure B.3 provides an overall picture of the proportion of ExA projects that received comments on the operational principles, categorized according to direct and indirect access. A majority of the projects received comments and were asked to provide additional information on the M&E aspect (82 percent and 91 percent, respectively, for direct and indirect access projects; 86 percent for all projects), which is higher than the percentage of projects that were commented upon in the quality-at-entry exercise on M&E in the 2005 APR. The principle least commented upon is the incremental cost requirement (27 and 45 percent, respectively, for direct and indirect projects; 36 percent for all projects). According to the recent comprehensive Evaluation of Incremental Cost Assessment (GEF EO 2007a), most project documents register weak compliance against GEF requirements for incremental cost assessment. In general, the incremental cost assessments as depicted in project documents seem to be rather

formulaic in nature, mainly resulting from the fact that there is a divergent understanding of and much confusion about incremental cost concepts and procedures. Figure B.3 suggests that this formulaic interpretation—for this small sample of projects at least—seems to extend beyond the Agencies themselves, as the current review steps do not seem to capture an overall weak compliance with the incremental cost requirement as presently applied.

At the level of specific quality dimensions, there were some variations along the lines of direct versus indirect access. Notably, more indirect access projects have received comments on incremental cost as compared to the direct access ones (45 and 27 percent of the projects, respectively). The reverse could be observed for the operational principle on participatory processes, for which 82 and 64 percent, respectively, of direct and indi-

rect access projects received comments. There was relatively little clustering of quality shortcomings around specific aspects of the individual projects. Typically, a project might be commended on several aspects such as soundness in cost effectiveness and participatory processes used, but fare less well on the aspect of M&E approaches, for instance. This causes the patterns of strengths and weaknesses to vary across the project sample, and implies that no specific quality concern could be identified that needs to be addressed in order to improve the quality of ExA projects. It was observed that the projects originating from the regional development banks seem to attract fewer comments during the different reviews, as shown in table B.5. A further breakdown of the number of ExA projects commented upon by operating principle and review entity can be found in attachment B.2.

Figure B.3

Comments on selected GEF operational principles in ExA project reviews

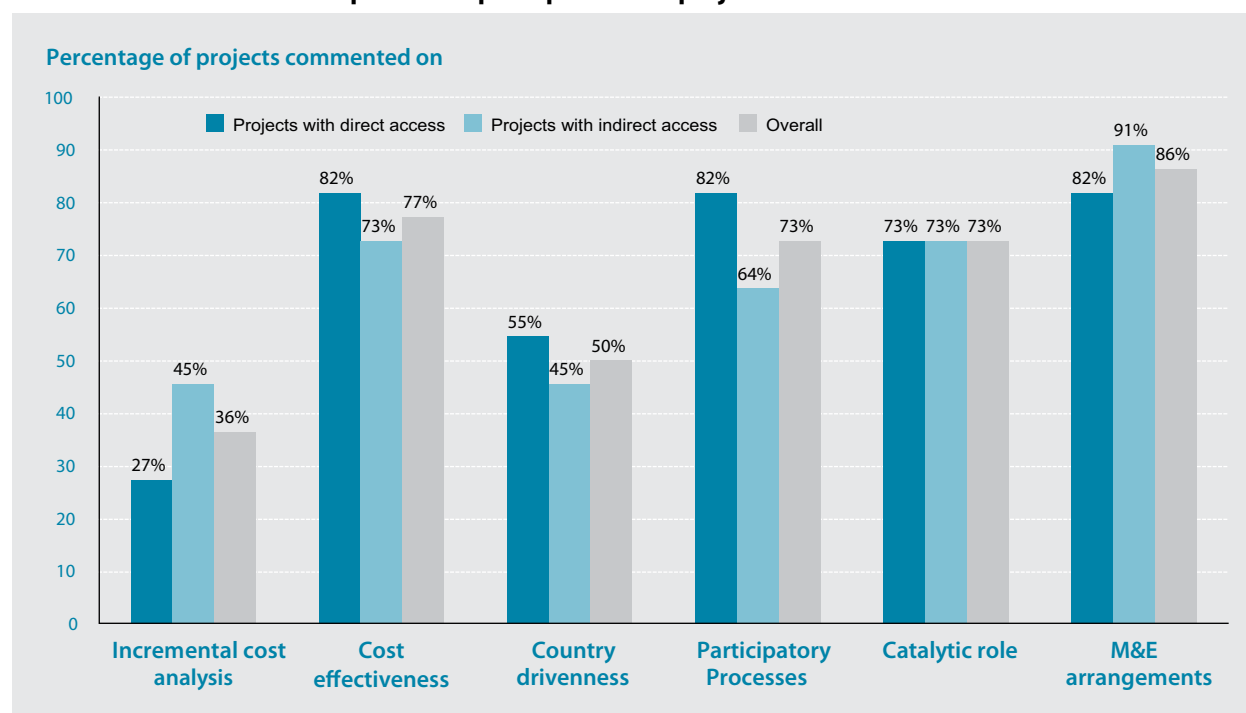


Table B.5

Comments received on selected operational principles for projects with and without regional development bank involvement

Regional development bank involvement	Number of projects	Comments received (as % of number of projects)					
		Incremental cost	Cost effectiveness	Country drivenness	Participatory processes	Catalytic role	M&E
Projects with involvement	11	27	64	27	73	55	82
Projects without involvement	11	45	91	73	73	91	91

It should be noted that quality at entry is not necessarily guaranteed by the different reviews, as reported by the Joint Evaluation:

Additional appraisal bodies do not appear to serve the promotion of quality, as views are often conflicting and overlapping and difficult to integrate in a coherent manner. Ultimately, extensive formulation requirements, periodic review points and appraisal and approval by numerous bodies do not assure quality at entry (GEF EO 2007b).

This is in line with earlier recommendations formulated in the GEF's Second Overall Performance Study:

There is still room for improvement in the GEF's review and processing procedures and management of the project review process...The GEF should manage delivery of global environmental benefits by initiating a institution-wide shift from an approval culture to one that emphasizes quality and results (GEF 2002).

This is also echoed in the comments on the Joint Evaluation report, where some ExAs argue for a transition from an "appraisal/approval culture" and the emphasis on quality at entry toward a stronger emphasis on management for results and effective monitoring and adaptive management. Additionally, a suggestion was made to revisit the GEF review steps to ensure that these truly represent an added value to the Agencies' own quality standards.⁸

Even though this evaluation does not permit a comprehensive assessment of the effect of the

comments received on the final product—the project document—most comments received were either responded to or addressed by the project teams. The evaluation reviewed the final project documentation and found that the issues raised were adequately addressed and all the projects in the sample were, overall, in line with internationally acceptable quality standards. This was also confirmed during interviews with staff from the IAs, ExAs, and GEF Secretariat, during which no specific quality issues were raised regarding the ExA project portfolio. Furthermore, the quality-at-entry assessment for M&E as presented in the 2005 APR revealed that overall compliance with each of the critical parameters utilized for that exercise hovered around 65 percent for the projects with ExA involvement (aggregated for both direct and indirect access, since only a total of six projects with ExA involvement were included in the APR assessment); this is similar to the projects implemented by the IAs.

In conclusion, this evaluation reconfirms the findings of a 2003 review of the experience of ExAs under Expanded Opportunities, namely that project quality at entry has remained at an acceptable level after due consideration of the initial learning period all Agencies had to go through when they joined the GEF partnership. Once they have passed this stage, ExA operational teams have been able to produce projects that are comparable in quality with projects implemented by IAs. No assessment has been made in this evaluation regarding

effectiveness and whether the projects ultimately result in an appreciable and sustainable impact on the ground, but it is worth noting that only three projects with ExA involvement (but not under expanded opportunities) have gone through the whole project life cycle up to terminal evaluation.

B.4 Experience of ExAs in the GEF Activity Cycle

This section examines the processing times of selected projects where ExAs participated in different capacities, either as lead Agency or contributing to a joint effort. This enabled the evaluation to assess whether there are any differences in the time lags experienced in the GEF Activity Cycle by ExAs as compared to the overall time lags as analyzed by the Joint Evaluation.

As the Joint Evaluation of the GEF Activity Cycle and Modalities has shown, the average time it takes for an FSP to start up is lengthy and has been increasing from GEF-1 to GEF-3. The average time it takes for FSPs (including both IA- and ExA-implemented projects) to go from pipeline entry to project start was 41 months in GEF-3, according to data presented in the Joint Evaluation report;

for the GEF-3 ExA portfolio, the average time was 51.5 months, with a median of 50.7 months (see table B.6). It therefore appears that it takes on average an additional 10 months for projects with ExA involvement to go from pipeline entry to project start as compared to the overall average. However, given the fact that the ExA data set for pipeline to start is limited (a total of 11 data points; see table B.6), and taking into account the variability of the data (ranging from 30.4 months to 76.1 months), this information needs to be interpreted with caution. Nonetheless, the most time-consuming period within the Activity Cycle seems to be that during which decisions are sought within the GEF (that is, from pipeline entry to approval), as shown in table B.6.

The data in table B.6 indicate that there is a minimal difference between the time it takes from pipeline entry to CEO endorsement in direct access projects (48 months) and projects that are jointly implemented with IAs (50 months). This may be contrary to expectations, especially when considering that joint projects usually have to go through four project cycles that are not necessarily well synchronized (those of the government, GEF, IA, and ExA). Table B.6 also shows

Table B.6

Processing times of ExA FSP portfolio in GEF-3 (months)

Time line	Projects with direct access				Projects with indirect access				All projects			
	No.	Mean	SD	Median	No.	Mean	SD	Median	No.	Mean	SD	Median
Pipeline to approval	7	40.1	22.3	48.5	10	29.3	9.5	30.4	17	34.1	16.8	33.4
Approval to CEO endorsement	6	10.5	7.6	8.7	8	18	10.7	17.2	14	14.8	9.9	14.6
Pipeline to CEO endorsement	6	47.9	21.7	52.6	8	50.0	5.6	50.1	14	49.1	14.1	50.1
CEO endorsement to Agency approval	6	1.8	3.4	1.1	6	0.4	2.7	1.0	12	1.1	3.0	1.1
Agency approval to project start	6	3.6	3.2	2.3	4	-1.0	8.1	2.7	10	1.8	5.8	2.3
Pipeline to project start	6	53.2	20.8	55.3	5	49.4	7.8	50.7	11	51.5	15.7	50.7

SD = standard deviation

that the period from pipeline to approval seems to take less time on average for indirect access projects (29.3 months) as compared to direct access projects (40.1 months). It would therefore not be unreasonable to assume that the presence of an IA in a joint project might have accelerated the speed with which the project goes from pipeline entry to approval. However, this average 10-month “advantage” in the period from pipeline entry to approval for jointly implemented projects is offset by the subsequent lag from project approval to CEO endorsement. This lag is likely due to the fact that the suggested revisions and comments by the Council at the time of approval need to be incorporated and adequately addressed prior to CEO endorsement—a process that conceivably would take up more time when more Agencies are involved, as is the case with jointly implemented projects.

There are a multitude of reasons for and sources of delays in project processing as experienced by the ExAs, ranging from the inherent complexity of the GEF Activity Cycle itself to gaps in the communication flow among key project proponents. An overview of possible sources of delay as perceived by the ExAs follows, based on comments received from the ExAs during the Joint Evaluation:

- **Frequent GEF policy changes triggering new documentation requirements and additional steps in the GEF Activity Cycle.** This situation not only affects new projects, but also has consequences for existing projects in the pipeline. Consequently, most ExAs have found themselves in a perpetual state of learning and adapting to new GEF processes, which might have affected their projects’ elapsed times in the cycle.
- **Gaps in communication flow between the GEF Secretariat and Agencies.** This pertains especially to the status of project proposals in

the decision-making process and the lack of timely guidance and feedback from the GEF Secretariat on queries by the ExAs.

- **Fund availability (especially in the transition between replenishment periods).** During the Joint Evaluation workshop in September 2006, the point was raised that, toward the end of a GEF replenishment period and before a fresh replenishment would become available, projects experience additional delays because of temporary scarcity of funds.
- **Cofinancing requirement.** Some ExAs perceive that the cofinancing requirement as currently applied contributes significantly to the delays while not adding sufficient value to the project.
- **Country readiness.** This relates mainly to country-level capacity issues and difficulties encountered when trying to reconcile national execution modalities with GEF requirements (see box B.2 for specific examples).

An additional cause for delays—particularly for jointly implemented projects—is project fee negotiations. The fee is simultaneously approved with the respective project itself and is mainly related to the cost of project coordination, administration, and supervision. In direct access projects, this fixed fee system is straightforward, as there is only one Agency with which to contend. With projects implemented jointly with other Agencies, extensive negotiations regarding fee distribution are common. There are no clear GEF guidelines regarding the process of fee negotiation, which largely depends on the specific Agencies and staff involved. Depending on the level of understanding that exists between the jointly implementing Agencies, and on whether the project preparation was done effectively in a joint fashion, these negotiations can result in mutually acceptable arrange-

Box B.2

Examples of Country Issues Contributing to Delays in Project Processing Times

- ADB, Integrated Coastal Resources Management Project: *GEF pipeline entry, February 9, 2000; CEO endorsement, November 2006 (expected)*. The processing of this project was delayed by fiscal constraints experienced by the Philippine government.
- ADB, Sanjiang Plains Wetlands Protection Project: *GEF pipeline entry, August 31, 1999; CEO endorsement, February 7, 2005*. This project was originally integrated with another project (on flood control) located upstream. During PDF-B implementation, the Chinese government requested that the two projects be prepared separately as the Songhua Flood Control Project and the Sanjiang Plains Wetlands Protection Project.

ments and agreements. When such agreements are difficult to reach, the process results in delays. Furthermore, the current system does not allow the Trustee to easily record and track division of funds for joint projects, which has at times caused delays in disbursements to the Agencies.

B.5 Cofinancing

The ability of the ExAs to source and ensure cofinancing for GEF projects follows the same pattern as for the IAs. The financial institutions (the four regional development banks and IFAD) seem to exhibit a greater leveraging capacity than FAO and UNIDO (see tables B.7 and B.8). Given the limited data points in disaggregated form and the presence of outliers (for example, IDB's medium-size project cofinance ratio is derived from a single project with a ratio of over 60, which also influenced the overall medium-size project cofinance ratio), some caution should be used when interpreting these figures. Nevertheless, the information in the tables does show that the aim of increasing the number of plausible sources for

additional financial leveraging within the GEF has been generally successful with the inclusion of the ExAs under Expanded Opportunities.

Table B.7

Cofinancing ratios for the ExA project portfolio

Agency	Overall	Direct access	Indirect access	MSP	FSP
All ExAs	3.46	4.71	2.92	16.75	3.10
ADB	4.16	4.64	2.84	1.35	4.29
IDB	6.74	8.89	5.22	61.51	4.17
IFAD	2.57	1.86	4.33	N/A	2.57
FAO	2.93	N/A	2.93	N/A	2.93
UNIDO	1.59	N/A	1.59	1.00	1.60
EBRD	6.26	N/A	6.26	23.00	4.59
AfDB	N/A	N/A	N/A	N/A	N/A

Table B.8

Cofinancing ratios for the IA project portfolio

Agency	Overall	MSP	FSP
All IAs	3.59	2.04	3.68
UNDP	1.90	2.24	1.88
UNEP	1.40	1.37	1.41
World Bank	5.00	2.28	5.09

B.6 Conclusions

The ExAs' participation in the total project portfolio of the GEF-3 replenishment period remains at a low share of 7.9 percent for all seven ExAs combined and including both direct and indirect access involvement. There are, as of January 2006, 38 approved projects with ExA involvement, including 18 projects under direct access. The majority of approved ExA projects originate from the three regional development banks and IFAD.

The quality of ExA projects proposed for inclusion in the GEF work program is on par with internationally acceptable quality standards. This evaluation therefore reconfirms the findings of a 2003 review of the experience of ExAs under Expanded

Opportunities, namely that ExA operational teams have been able to produce projects that are comparable in quality with projects implemented by IAs.

FSPs with ExA involvement in GEF-3 take on average of 51.5 months from pipeline entry to project start; the overall average is 41 months. No significant difference was observed between the time it takes from pipeline entry to CEO endorsement in direct access projects (48 months) as compared with projects that are jointly implemented with IAs (50 months).

ExA involvement in the GEF under expanded opportunities has increased the number of plausible sources for additional financial leveraging. The ability of the ExAs to source and ensure cofinancing for GEF initiatives follows the same pattern as for the IAs.

Notes

1. Paper written by Omar Lyasse.
2. The Costa Rica Tejona Wind Power project began in the GEF pilot phase and was jointly implemented by the World Bank and IDB.
3. This 7.9 percent was calculated based on the total approved work program amounts in GEF-3, including the GEF Council approvals of June and August 2006. The total approved GEF-3 work program amount up until August 2006 stands at \$2,582,247,782 (according to both the Joint Evaluation database and the GEF PMIS). This figure does not include the allocations for enabling activities; only project development facility resources and GEF project budgets have been considered.
4. This includes, for example, the World Bank-IDB Central American Indigenous and Peasant Coordination Association for Community Agroforestry and the Central American Commission on the Environment and Development project, and the World Bank-FAO African Stockpiles Program.
5. Source: consolidated comments from Agencies on the Joint Evaluation report.
6. Source: email communication between the World Bank and the GEF Secretariat on the draft report “Comparative Advantages and Complementary Roles of the Implementing Agencies and Executing Agencies of the GEF” (GEF 2006a), presented at the June 2006 GEF Council Meeting.
7. Not all review comments were present in the PMIS (for example, the PMIS is missing Council or IA comments for certain projects).
8. Source: consolidated comments from Agencies on the Joint Evaluation report.

Attachment B.1.

Executing Agency Projects

GEF ID	Project type	GEF replenishment period	Agency	Focal area	Country	OP	Project name	GEF budget (million \$)
60	FSP	Pilot phase	World Bank-IDB	Climate change	Costa Rica	6	Tejona Wind Power	3.3
263	FSP	GEF-1	UNDP-UNIDO	Climate change	China	5	Energy Conservation and GHG Emissions Reduction in Chinese TVEs - Phase II	1
455	FSP	GEF-1	World Bank-ADB	Biodiversity	Bangladesh	2,3	Biodiversity Conservation in the Sundarbans Reserved Forest	12.2
622	FSP	GEF-2	UNDP-UNIDO	Climate change	China	5	Energy Conservation and GHG Emissions Reduction in Chinese TVEs - Phase II	7.99
878	FSP	GEF-2	World Bank-ADB	Biodiversity	Sri Lanka	3	Protected Areas and Wildlife Conservation Project	10.5
881	FSP	GEF-2	UNDP-ADB	Climate change	China	6	Wind Power Development Project	12
884	FSP	GEF-2	UNEP-FAO	Int'l waters	Global (Cameroon, Colombia, Costa Rica, Cuba, Indonesia, Iran, Mexico, Nigeria, Philippines, Trinidad and Tobago, Venezuela)	9	Reduction of Environmental Impact from Tropical Shrimp Trawling through Introduction of By-catch Technologies and Change of Management	4.78
956	FSP	GEF-3	ADB	Multifocal	China	12	PRC/GEF Partnership on Land Degradation in Dryland Ecosystems: Project I - Capacity Building to Combat Land Degradation	8.05
963	FSP	GEF-3	IDB	Int'l waters	Regional (Belize, Guatemala, Honduras)	10	Environmental Protection and Maritime Transport Pollution Control in the Gulf of Honduras	5.35
1092	FSP	GEF-3	World Bank-IDB	Biodiversity	Regional (Guatemala, Belize, Honduras, El Salvador, Nicaragua, Costa Rica, Panama)	3,4	Integrated Ecosystem Management in Indigenous Communities	9.7
1105	FSP	GEF-2	ADB	Climate change	China	6	Efficient Utilization of Agricultural Waste	6.36
1126	FSP	GEF-3	ADB	Biodiversity	China	2	Sanjiang Plain Wetlands Protection Project	12.5
1152	FSP	GEF-3	IFAD	Biodiversity	Mali	1,2, 12, 13, 15	Biodiversity Conservation and Participatory Sustainable Management of Natural Resources in the Inner Niger Delta and its Transition Areas, Mopti Region	6.33
1183	FSP	GEF-3	UNDP-ADB	Biodiversity	Cambodia	2	Tonle Sap Conservation Project	3.6
1185	FSP	GEF-3	ADB	Biodiversity	Philippines	2	Integrated Coastal Resources Management Project	9.34

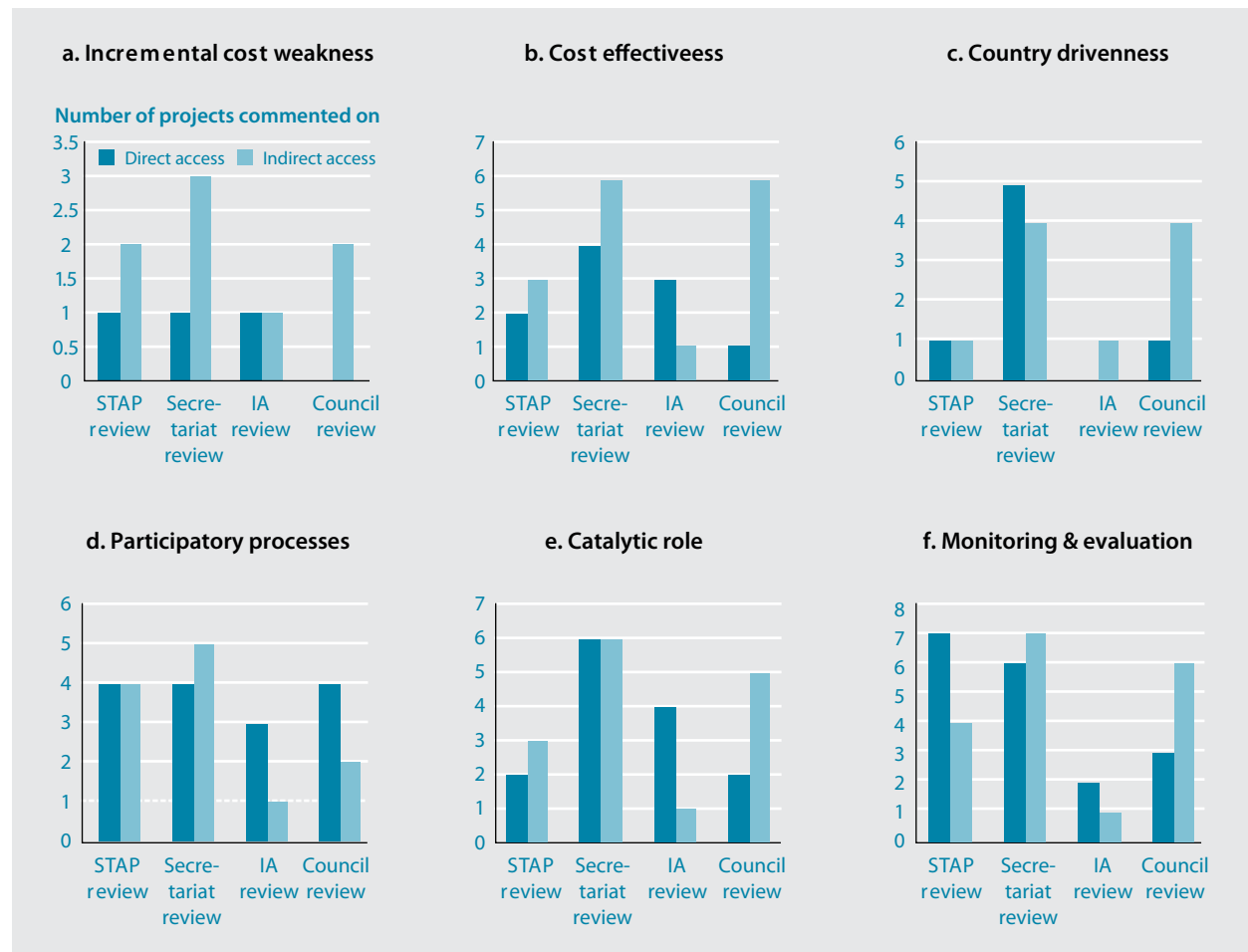
GEF ID	Project type	GEF replenishment period	Agency	Focal area	Country	OP	Project name	GEF budget (million \$)
1188	FSP	GEF-3	UNDP- UNEP- UNIDO	Int'l waters	Regional (Angola, Benin, Cameroon, Congo DR, Cote d'Ivoire, Gabon, Ghana, Equatorial Guinea, Guinea-Bissau, Liberia, Nigeria, Sao Tome and Principe, Sierra Leone, Togo, Congo)	9	Combating Living Resource Depletion and Coastal Area Degradation in the Guinea Current LME through Ecosystem-based Regional Actions	21.5
1229	FSP	GEF-3	World Bank- EBRD	Int'l waters	Slovenia	8	EBRD-GEF Environmental Credit Facility (formerly Slovenia: National Pollution Reduction Project)	9.99
1348	FSP	GEF-3	World Bank- FAO	POPs	Regional (Botswana, Cameroon, Cote d'Ivoire, Lesotho, Mali, Morocco, Mozambique, Namibia, Niger, Nigeria, South Africa, Tunisia, Ethiopia, Swaziland, Tanzania)	14	Africa Stockpiles Program, P1	25.7
1358	FSP	GEF-3	UNEP- UNIDO	Climate change	Zambia	6	Renewable Energy-based Electricity Generation for Isolated Mini-grids	3.28
1361	FSP	GEF-3	UNEP- UNIDO	Climate change	Cuba	6	Generation and Delivery of Renewable Energy Based Modern Energy Services in Cuba: The Case of Isla de la Juventud	5.66
1445	MSP	GEF-3	World Bank- EBRD	Climate change	Poland	5	Demand-side Energy Efficiency in Public Buildings, Lodz Municipal Energy Services Company	1
1515	FSP	GEF-3	IDB	Biodiversity	Honduras	2	Consolidation of Ecosystem Management and Biodiversity Conservation of the Bay Islands	2.82
1684	MSP	GEF-3	ADB	Multifocal	Regional (Cambodia, Lao PDR, China, Thailand, Vietnam)	12	National Performance Assessment and Subregional Strategic Environment Framework in the Greater Mekong Subregion	0.8
1692	FSP	GEF-3	UNDP- UNIDO	POPs	Slovak Republic	14	Global Programme to Demonstrate the Viability and Removal of Barriers that Impede Adoption and Successful Implementation of Available, Non-Combustion Technologies for Destroying Persistent Organic Pollutants	10.7
1848	FSP	GEF-3	UNEP- IFAD	Multifocal	Kenya	12,3, 4, 15	Mount Kenya East Pilot Project for Natural Resource Management	5.05

GEF ID	Project type	GEF replenishment period	Agency	Focal area	Country	OP	Project name	GEF budget (million \$)
1870	MSP	GEF-3	ADB	Multifocal	Regional (China, Mongolia)	12	Prevention and Control of Dust and Sandstorms in Northeast Asia	0.5
1907	MSP	GEF-3	ADB	Biodiversity	Afghanistan	1,2, 3, 4	Natural Resources and Poverty Alleviation Project	0.98
2067	MSP	GEF-3	UNEP-UNIDO	POPs	Global	14	Fostering Active and Effective Civil Society Participation in Preparations for Implementation of the Stockholm Convention	1
2329	FSP	GEF-3	UNDP-UNIDO	POPs	Philippines	14	Global Programme to Demonstrate the Viability and Removal of Barriers that Impede the Successful Implementation of Available Non-Combustion Technologies for Destroying Persistent Organic Pollutants	4.57
2373	FSP	GEF-3	IFAD	Land degradation	Brazil	15	Sustainable Land Management in the Semi-Arid Sertao	6.24
2437	FSP	GEF-3	UNDP-UNEP-FAO	Land degradation	Cuba	15	Supporting Implementation of the Cuban National Programme to Combat Desertification and Drought	10
2504	FSP	GEF-3	ADB	Land degradation	Regional (Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan, Tajikistan)	15	Central Asian Countries Initiative for Land Management	20.7
2517	FSP	GEF-3	IDB	Multifocal	Regional (Costa Rica, Panama)	12,2, 8, 13	Sustainable Environmental Management for Sixaola River Basin	3.5
2686	FSP	GEF-3	IDB	Biodiversity	Regional (El Salvador, Guatemala, Honduras)	4	Integrated Management of the Montecristo Trinational Protected Area	3.65
2720	FSP	GEF-3	UNIDO	POPs	Regional (Nigeria, Ghana)	14	Regional Project to Develop Appropriate Strategies for Identifying Sites Contaminated by Chemicals listed in Annexes A, B and/or C of the Stockholm Convention	2.65
2753	FSP	GEF-3	IFAD	Multifocal	Sri Lanka	2,3, 15	Participatory Coastal Zone Restoration in the Eastern Province of Post-Tsunami Sri Lanka	7.35
3005	MSP	GEF-3	IDB	Climate change	Regional (Brazil, Nicaragua, Panama, Mexico)	6	Clean Tech Fund	1
3060	MSP	GEF-3	IFAD	Land degradation	Global (Asia/Pacific, Latin America and Caribbean, Europe and Central Asia)	15	Supporting Capacity Building for the Third National Reporting to CRIC-5/COP-8	0.64

OP = operational program

Attachment B.2.

Comments on Selected GEF Operational Principles in ExA Project Reviews



Annex C.

SWOT Analysis: Enhancing the Participation of the Executing Agencies in the GEF

C.1 Introduction

The Evaluation of the Experience of Executing Agencies under Expanded Opportunities in the Global Environment Facility addressed the following key questions:

1. How has the participation of the ExAs in the GEF and the related legal framework for expanded opportunities of the ExAs evolved to date?
2. What are the main **strengths** in the ExAs' experience with the GEF?
3. What are the main **weaknesses** in the ExAs' experience with regard to (1) participation and cooperation in GEF policy and operational issues, and (2) project development and implementation?
4. Based on the above, what are the main **threats** to ExAs' participation, and what are the main **opportunities** in the future?

This paper¹ addresses the strengths, weaknesses, opportunities, and threats analysis envisaged in questions 2 through 4 above. It draws on, in part, annex B, "Executing Agencies GEF Portfolio Overview," and annex A, "The Evolution of Expanded Opportunities to Executing Agencies and the Legal Framework," which covers question 1. The ExAs are:

- Asian Development Bank,
- African Development Bank,
- European Bank for Reconstruction and Development,
- Inter-American Development Bank,
- Food and Agriculture Organization of the United Nations,
- International Fund for Agriculture and Development,
- United Nations Industrial Development Organization.

The SWOT analysis is also based on

- the interviews conducted with representatives of all Implementing Agencies and ExAs (GEF coordinators or focal points and operational staff), particularly regarding their experience in working with the GEF through direct and indirect access, and their mandate, interest, and capability to work in the GEF focal areas;
- interviews with selected Council members and staff members of the GEF Secretariat;
- the collection and analysis of data obtained for the Joint Evaluation of the GEF Activity Cycle and Modalities (GEF EO 2007b) and for the preparation of "Executing Agencies GEF Portfolio Overview" (annex B).

The interviews and data analysis were useful to contrast the mandate and experience of the ExAs and IAs in working with the GEF both at policy and operational levels.

This exercise identifies the strengths, weaknesses, opportunities, and threats of the current involvement of the ExAs in the GEF and its prospective enhancement. It yields insights to help pinpoint the barriers to overcome, simplify, or remove to allow the ExAs to realize their full potential as members of the GEF partnership and was used in the formulation of the findings and recommendations of the evaluation.

The SWOT analysis is summarized in the worksheet (see the attachment to this paper) and described in sections C.2–5. In accordance with the evaluation terms of reference, the analysis is based on the main objective of *enhancing the participation of ExAs in GEF operations*. The following standard definitions for the SWOT analysis were used:

- **Strengths**—internal attributes of ExA cooperation with the GEF that are helpful to achieving the objective
- **Weaknesses**—internal attributes of ExA cooperation with the GEF that are harmful to achieving the objective
- **Opportunities**—conditions external to the ExAs that are helpful to achieving the objective
- **Threats**—conditions external to the ExAs that are harmful to achieving the objective

C.2 Analysis of Strengths

The strengths and weaknesses concern both characteristics of the ExAs themselves and of the cooperation between the GEF and these Agencies. This is also considered in relation to the experience of the IAs and the GEF. This section and the

next mainly reflect strengths and weaknesses of the GEF-ExA cooperation up to now; emerging issues are covered under opportunities or threats.

ExA Mandates and Policies

All seven ExAs have stated mandates and policies to work on environmental matters. Within their regional and/or technical outreach, they constitute a good match to work with the GEF in the respective areas of competence. These areas of competence are stated in the Agency summaries included in attachment A.1 to annex A. The regional development banks have environmental policies whose core objectives are included in their lending operations and aim at improving human quality of life by helping preserve and enhance ecological capital and life-support systems.

For example, in addition to its 2002 Environment Policy, ADB also has formulated sector-specific policies, covering, among others, forestry (1995), fisheries (1997), energy (2000), and water (2001). The core objectives of the AfDB 2004 Policy on the Environment are to improve quality of life of the people of Africa by helping preserve and enhance the ecological capital and life-support systems across the African continent. EBRD updated its Environmental Policy in 2003; and the IDB Board of Directors approved the Environment and Safeguards Compliance Policy in January 2006, with three objectives focused on environmental sustainability. IFAD's activities are guided by the Strategic Framework for IFAD 2002–2006: Enabling the Rural Poor to Overcome Poverty, one of the three objectives of which is to improve equitable access to productive natural resources and technologies.

The Agencies more oriented to technical cooperation systematically take into consideration environmental concerns in their interventions. The FAO Strategic Framework (2000–2015) highlights

the twin objectives of sustainable production and natural resource conservation. The 2005 UNIDO Strategic Long-Term Vision, with a mandate of sustainable industrial development, concentrates on energy and environment as one of three thematic areas.

Institutional Capacity and Experience in GEF Project Development and Implementation

The seven ExAs have institutional capacity to identify, develop, appraise, implement, monitor, and evaluate projects in their respective niches and in line with GEF criteria. They have participated through their GEF focal points, operational staff, and evaluation units in recent GEF evaluations, namely the Joint Evaluation of the GEF Activity Cycle and Modalities and the present evaluation.

Most have adequate representation in the field (national and/or regional) either by own staff or counterpart national organizations. Some have such representation integrated in the UN resident coordinator office.

Annex B analyzes the quality at entry and the level of cofinancing of projects prepared and executed by the ExAs both under direct and indirect access and concludes that such projects, on average, follow the same pattern as for the IAs. Obviously, the projects of RDBs and IFAD show higher levels of cofinancing than those of the technical cooperation agencies. For example, the IDB medium-size project Clean Tech Fund in Latin America has a cofinance ratio of over 60.

After an initial learning process on GEF procedures, the ExAs now exhibit the same strengths and weaknesses as IAs in managing the Activity Cycle. After the World Bank, IFAD has the next shortest time from GEF pipeline entry to work program inclusion for full-size projects approved in GEF-3, as per the Joint Evaluation of the GEF

Activity Cycle and Modalities. In terms of average time frames for the appraisal phase, ADB reported a lower duration of two to four months.

Contrasting the two strengths above with those of the IAs, it can be stated that they are on par.

Sustained Interest in Working with the GEF

Despite the barriers and mixed success of working with the GEF, all seven ExAs expressed a sustained interest in continuing to work with the GEF. Their attendance at, statements to, and documentation prepared for the policy-making organs of the GEF confirm this commitment. At the last GEF Assembly, ExA participation was assured in one case by the director general of the organization, in another by a vice president, and in all cases by the respective GEF focal points. Most Agencies had prepared for the occasion publications related to their commitment to work in the environment and with the GEF specifically, and provided information to the Assembly participants through their information booths.

Furthermore, the ExAs' commitment to the GEF is evidenced by their constructive cooperation with nonproject activities such as their involvement in several GEF task forces, contributions to GEF indicator work; support of the operationalization of the Resource Allocation Framework, notwithstanding the fact that the financing of the ExA participation in such areas had to come from their own resources. All seven ExAs also contributed financially and substantively to the Joint Evaluation of the GEF Activity Cycle and Modalities. The Joint Evaluation was initially proposed by ADB; two of the eight components were led by ADB and UNIDO, respectively; and all ExAs participated through workshops and contribution of inputs.

The main reason for the ExAs' continued interest is that the GEF provides an opportunity to rein-

force their contributions to the global environmental agenda by providing additional resources to support their existing efforts. Furthermore, their GEF participation enables them to more efficiently respond to country demands.

Increased Collaboration among Agencies

An important and positive effect of working with the GEF is that an increased collaboration and exchange of information has taken place among the GEF partners on environmental matters. In particular, the ExAs themselves have established communication and coordination mechanisms by which they prepare joint positions and statements, as seen at the June 2006 Council meeting (GEF ExAs 2006); represent each other at GEF meetings; and circulate information among the GEF coordinators. Such exchanges of experience generate efficiencies in the management of the GEF partnership.

There are also some examples of increased collaboration among ExAs and IAs. The United Nations Environment Programme has provided FAO with a staff member on secondment to help support development of its GEF portfolio; and the United Nations Development Programme and UNIDO are conducting a joint project evaluation. Cooperation on a technical level has long taken place—for example, through the FAO Investment Centre, assisting in the preparation, appraisal, and supervision of some 60 GEF projects implemented by other partners.

C.3 Analysis of Weaknesses

Insufficient Involvement of the ExAs in Policy, Decision Making, and Resource Allocation Matters

The upstream involvement of the ExAs in the GEF is largely affected by a historical precedent. The restructured GEF was established in 1994 with

the three IAs charged with operationalization of the Council's operational policies, strategies, and decisions. As a consequence, there is insufficient involvement of the ExAs on matters related to policy, decision making, and resource allocations by the GEF Secretariat. This important constraint adds to the unpredictability and uncertainty with which ExAs have to contend.

The ExAs are not expected nor are they invited to attend meetings where important policy decisions are taken. As stated in the latest GEF corporate budget:

Focal area task forces, composed of relevant technical staff of the Secretariat and the Implementing Agencies, develop and review GEF operational policies and programs, focal area strategic objectives, adherence to the project cycle, standard portfolio and project performance reviews, and proposals for the business plan. Working groups are established to address specific issues that may arise or that cut across the interests of any one task force. Meetings among the Secretariat's management and the Implementing Agencies' executive coordinators are held weekly in order to promote interagency collaboration and communication and to review operational policy issues (GEF 2006b).

ExA involvement is not addressed. This particularly affects these Agencies when decisions are made to include certain type of projects in the periodic work programs. The agendas for these meetings are not routinely circulated to the ExAs. Similarly, meeting minutes are also not generally circulated to ExAs, including those for meetings that have a direct impact on the ExAs. The situation seems to have improved recently since the minutes of the executive coordinators meeting of September 21, 2006, were distributed to all partnership Agencies.

The last years have seen an increased participation of ExAs in several focal area task forces, but consultations and/or participation at the policy, programming, and decision-making levels

remain unsatisfactorily low. This reinforces the notion that the dichotomy between IAs and ExAs continues.

ExAs regularly participate in the GEF Council meetings and Assemblies. However they can only address these bodies when so requested or through GEF Secretariat interventions. Consequently, this participation has been of a relatively passive nature.

Participation of the ExAs in the Scientific and Technical Advisory Panel has been marginal. The RDBs are represented in the STAP Implementing Committee. Some of the ExAs have supplied names for reconstituting the roster of experts managed by the STAP. However, during interviews with the ExAs, the importance of their participation in this panel was minimized.

The ExAs were consulted on the modalities of the revision of the fee system carried out in 2002–04 and have participated sporadically in other ad hoc technical groups, such as IFAD's participation in the GEF indicator work on land degradation. The GEF 2006 Monitoring and Evaluation Policy was also subject to consultation with all Agencies for harmonization with interagency standards and international good practices.

In sum, the ExAs face a lack of transparency and unpredictability in strategic and operational processes. A fully transparent and participatory decision-making mechanism involving all participating Agencies on an equal basis is needed.

Lack of an Incentive Structure for Enhanced Participation

The GEF corporate budget finances on an annual basis the governance structure of the GEF, as defined in the GEF *Instrument* (GEF 1994b). The governance structure consists of the Assembly, the Council, the conventions, the STAP, the

Trustee, the Secretariat, the Evaluation Office, and the three IAs. The functions financed by the corporate budget can be broadly grouped under four headings:

- **Governance**—support of the Assembly and Council
- **Program management**—formulation and oversight of business plans, operational procedures, focal area strategies, and work programs
- **Relations with constituents**—conventions and other bodies
- **Management of the Trust Fund**

As per the latest corporate budget, its purpose is to “finance the activities required to manage a partnership organization.” The allocation under the corporate budget for FY 2007 is about \$3 million per IA.

The GEF has since evolved with the inclusion of the additional partners which all bear significant cross-cutting responsibilities in their respective regions and areas of expertise, but the original consultation and decision-making structures determined by the GEF *Instrument* and annual appropriations for the corporate budget remain largely unchanged. The FY 2007 corporate budget further states that

Strong integration of the constituents in the organization is critical to the performance of the partnership. To effectively manage the GEF, it has been necessary to establish good communications channels, coordinate activities between partners, share knowledge, align values and incentives, build trust and overcome institutional differences.

It is not clear how the corporate budget has helped support such strong integration of the ExA constituents.

This systemic constraint results in a suboptimal—and at times, strained—relationship between the

GEF Secretariat and the ExAs. The lack of budget allocations to the ExAs for upstream work hinders their involvement. Furthermore, the ExAs have had no access to a PDF-A imprest account. They are obliged to fund such participation mostly from their regular budgets.

In the FY 2007 corporate budget, under program management, the role of ExAs is mentioned in the preparation of work programs, review of concepts for entry in pipelines, the portfolio performance review process, developing a results-management framework for the GEF, the National Dialogue Initiative, and the establishment of a project cycle management system.

Counterproductive Competition for GEF Resources

The evaluation perceives that an atmosphere of distrust and unhealthy competition exists within the GEF partnership, particularly between IAs and ExAs. Most ExAs interviewed had examples in this regard. The Joint Evaluation of the GEF Activity Cycle and Modalities also found evidence of the trend toward a more competitive nature of the GEF, without commensurate benefits, exacerbated under resource limitations. This was particularly noted during the project appraisal phase, with notable elapsed time, where more comments seem to be received when another Agency does not want the project, and review comments also are not limited to the mandate of the reviewing Agency. One stakeholder noted, “When constructive, comments [from other Agencies] are useful; when antagonistic, they are not helpful. This used to work better; the situation is worsening.”

The historic tradition of bilateral discussions between the GEF Secretariat and the IAs and the absence of ExA representatives on the GEF Operations Committee appear to have posed additional barriers for the ExAs, given the perception that

nontechnical considerations come into play during these deliberations because of the competition for GEF funds.

A certain degree of competition is understandable—even desirable—because it may stimulate the development of innovative and quality projects and complementarity in Agencies’ participation. However, this positive side of competition is only likely to be effective with a level playing field for all participating Agencies.

GEF Processes Are Not Conducive to Private Sector Participation

The nature and length of the GEF Activity Cycle, its modalities, and related management structures and decision-making processes do not create the necessary conducive environment to enhance private sector involvement in GEF operations. Consequently, the GEF is not able to take full advantage of existing linkages with the private sector provided by some ExAs, nor of the comparative advantages of such Agencies. This is the particular case of EBRD, which operates essentially with the private sector. One project prepared by this bank as a follow-up to a similar project cofinanced by the GEF sought and obtained grant funding from another source in view of the estimated duration of project development using the GEF. The lack of responsiveness in working with the private sector can limit the opportunities to mainstream the GEF into Agency operations through blended projects with the GEF.

Complexity and Lack of Planning in Establishing a Legal Framework for Participation

The process of establishing the necessary policy and legal framework for the participation of the ExAs has, in itself, been a barrier to their effective involvement. The ExAs were granted access to GEF financing in a phased process, with different

levels of access at different times. Consequently, the policies on ExAs' direct access took considerable time to operationalize. Although the first discussions on the role of RDBs were initiated in June 1992, as of this writing, ExAs have not been fully incorporated into the GEF system. As of June 2006, the memorandum of understanding and the financial procedures agreements for direct access to GEF full project resources were still being negotiated for EBRD. Challenges to legal framework establishment were evident within both the GEF (in the negotiations of the World Bank legal department) and the ExAs themselves.

As a consequence, the evaluation finds that it was difficult for project proponents to know what Agency had access to what resources at what point, which also hampered the timely realization of the expanded opportunities. The lengthy process to finalize the signing of the agreements for direct access has delayed enhancement of the involvement of the ExAs—a sign of a lack of underestimation and proactive planning to address the full set of policies and procedures needed. Business practices, both at the institutional and project levels, remained largely the same after the incorporation of ExAs, reflecting policies formulated with only the three IAs in mind.

The transition from indirect to direct access was also difficult to manage. Two IFAD projects in Brazil and Mali were initially developed under indirect access procedures through two IAs. The implementation process was only negotiated with the IAs after confirmation of the IFAD revised agreement giving access to all grants, signed in May 2005; project status was then changed to IFAD as Executing Agency.

The evaluation finds that any opening up of the GEF to additional agencies would have to be handled in a different and less bureaucratic manner than has been done for the seven ExAs, given

the complexities, workload, and fiduciary issues involved.

C.4 Analysis of Opportunities

Opportunities to enhance the participation of ExAs in GEF operations can be found in external trends, events, and changes in policy or institutional developments. Opportunities can also emerge from building on strengths or eliminating weaknesses.

Primacy Role of IAs Blurred over Time

The primacy role provided in 1994 to the IAs, based at that time on their specific advantages, has become, at best, less distinct. The GEF *Instrument* (paragraphs 22 and 23, and annex D) envisaged roles for IAs and ExAs in implementation and cooperation, which were maintained in the business plan for FY 2003–05. The dichotomy between these two groups has become artificial over time in terms of project and policy functions. The present comparative advantages of the two groups in terms of geographical scope, mandates and capacities to work in environmental matters, and country-level presence do not justify the dichotomy. This issue presently constitutes an opportunity to enhance the participation of ExAs on the basis of an equal footing with the IAs. As of this writing, this opportunity has a chance to materialize in the short term with the announcement by the GEF Chief Executive Officer in October 2006 of proposals to the December 2006 Council.

High Transaction Costs in Indirect Access

The use of direct access to GEF resources for ExAs can potentially reduce costs and delays, as well as ensure a distribution of project fees that is more equitable in relation to the value added. The Joint Evaluation of the GEF Activity Cycle and Modalities indicates high transaction costs involved in the indirect access modality. Indirect

access has to follow the cycles of at least three organizations (the GEF, IA, and ExA) in addition to national procedures. The consultations, negotiations, and duplicative nature of cycle processes represent transaction costs to the GEF partnership. The Council approved direct access for IFAD, EBRD, AfDB, UNIDO, and FAO acting within their agreed scope for GEF operations in November 2003. Countries such as Ecuador did not indicate strong demand for joint projects; it is not certain that projects succeed in bringing out the comparative advantages of each partner (GEF EO 2007b).

The costs associated with implementing a GEF project are covered by a flat project fee of 9 percent. Project fees allow Agencies to provide project cycle management services related to the GEF projects they manage. The fee is simultaneously approved with the respective project itself. These costs are mainly related to the cost of project coordination, administration, and supervision. In direct access projects, this fixed-fee system is straightforward, as there is only one Agency with which to contend. With projects undertaken jointly with other Agencies, extensive negotiations regarding the distribution of the fee have been common, which increases the time for project development and entails an unnecessary cost. There are no GEF guidelines to guide the process of fee negotiation, which depends on the specific Agencies and staff involved. Depending on the level of understanding that exists among the concerned partner Agencies, and on whether the project preparation was done in a joint fashion, these negotiations can result in mutually agreeable arrangements and agreements. When agreement is difficult to reach, the process often results in additional delays. Furthermore, the current systems do not allow the Trustee to easily record and track the division of funds for joint projects, which has at times caused delays in project budget disbursements to the ExAs.

Different, Complementary, and Innovative Approaches

Pursuing the expansion of access of ExAs represents an opportunity to utilize different complementary and innovative approaches used by such Agencies for global environmental considerations by drawing on the full potential of the technical know-how of these Agencies. In interviews with the evaluation team, the GEF Secretariat referred to this expansion as “an opportunity,” citing at least two ExA-originated projects that did not materialize for lack of support from the relevant IA.

The portfolio of the ExAs, albeit limited as yet, contains projects with innovative components, participatory and consultative approaches, and multifocal areas. Innovation is seen as particularly interesting for the newer focal area of land degradation. Two multifocal projects proposed for the June 2006 work program include the Participatory Coastal Zone Restoration in the Eastern Province of Post-Tsunami Sri Lanka (IFAD) and Sustainable Environmental Management for Sixaola River Basin (IDB). Partnership approaches are pursued in the land degradation Central Asian Countries Initiative for Land Management and China/GEF Partnership on Land Degradation in Dryland Ecosystems: Project I: Capacity Building to Combat Land Degradation (both ADB). FAO is supporting the large partnership of the Africa Stockpiles Program.

Furthermore, the ExAs can provide the GEF with a broader range of lessons in operational and managerial issues. Several GEF partner Agencies have developed integrated monitoring tools in this regard that might influence the development of the new GEF management information system for which funds were approved at the November 2005 Council meeting.² Several Agencies have been active in harmonization, simplification, and development of information tech-

nology systems and results-based management (RBM). This includes the RDB Common Performance Assessment System, IFAD's Results-Based Country Strategic Opportunities Programme and Results and Impact Management System, FAO's Field Programme Management Information System, IDB's Project Alert Identification System, UNIDO's organization-wide RBM system launched in 2004–05; and ADB's performance-based allocation system. Of the new GEF RBM system under development, the Joint Evaluation of the GEF Activity Cycle and Modalities noted that “The potential implications for the cycle efficiency and effectiveness would depend on the use of existing processes and of bringing the Agencies’ systems together.”

GEF “Green Label”

Working with the GEF provides a recognized “green label” to ExA operations, and enhances awareness of and exposure to global environmental concerns within the Agencies and their immediate partners. This is particularly important for the RDBs, since it can be challenging to incorporate global environmental concerns as elements of a loan. Such an opportunity was referred to the evaluation by practically all ExAs. Involvement in the GEF partnership also strengthens ExAs’ environmental profile, enhances their image by working on current global issues, and transcends the boundary limitations and country specificity usually found in traditional Agency projects.

On the other hand, the partnership with the ExAs provides the GEF with access to a broader range of stakeholders and partners, which in turn supports increased awareness of global environmental issues in areas where the GEF has not traditionally been active. For example, it presents the opportunity of outreach and mainstreaming within sustainable agriculture and rural development (FAO), land degradation (IFAD), industry

and private sector (UNIDO and EBRD), as well as cooperation with regional institutional networks in GEF focal areas through the RDBs.

Possibility to Soften Loans

For the RDBs and IFAD, GEF grant funds soften their loans and provide an incentive to integrate in lending operations—particularly with the private sector—elements of environmental protection. However, this opportunity is relative, since the GEF is not the only source of grant funds for the banks. This can be an important element in countries with a lending portfolio and environmental priorities, such as for ADB operations in China.

Incremental Cost Analysis

ExAs do not seem to have been involved in decisions regarding incremental cost analysis nor in the GEF Evaluation Office’s Evaluation of Incremental Cost Assessment (GEF EO 2007a). According to the Incremental Cost Evaluation, most project documents register low compliance against GEF requirements for incremental cost assessment and requirements, but no differentiation is provided between projects prepared by IAs and ExAs. In general, there remains weak understanding and much confusion about incremental cost concepts and procedures, and the assessment and reporting does not add any value to the quality of projects. The Joint Evaluation of the GEF Activity Cycle and Modalities found that the difficulties in incremental cost analysis “have been exacerbated for specific focal areas or regions such as land degradation in Africa and for the new Executing Agencies.” Consequently, the overarching recommendation in the Evaluation of Incremental Cost Assessment is to rethink and reformulate current incremental cost requirements, processes, and methodologies used to more effectively incorporate incremental reasoning into project substance and design. It would be advisable to ensure active

participation of all GEF partnership Agencies in this exercise to create a sound foundation and critical mass of support for the new incremental cost guidelines to be developed.

C.5 Analysis of Threats

Threats mainly refer to external factors and trends that may create barriers to enhanced cooperation or exacerbate current trends.

Lack of Transparency and Predictability in GEF Strategic and Operational Processes

A number of evaluations and reviews have pointed to weaknesses in the GEF regarding information management. The Joint Evaluation found that disclosure of information and transparency in the GEF has been uneven both to management and to stakeholders. The main areas where transparency is lacking include key GEF policies, programming strategies and criteria, and management tracking of project progress and status. Also, lack of transparency on operational policies, especially on GEF eligibility and procedures, is particularly challenging for new entrants to the GEF system.

The ExAs presently operate in an atmosphere that lacks transparency and predictability in its strategic and operational processes. A fully transparent and leveled participatory decision-making mechanism is needed. The weakness of insufficient involvement of the ExAs in policy and decision making may turn into a threat unless the situation regarding transparency and predictability is dramatically changed.

Unclear Interpretation of Comparative Advantages and Limited Direct Access of Some ExAs

The originally assigned comparative advantages of the IAs (1995) are now less distinct. The Third Overall Performance Study of the GEF found that

the roles and responsibilities for IAs and ExAs are not always clear, and noted a number of projects that crossed over into the comparative advantage of other Agencies. The blurring of preassigned roles to the Agencies has increased as more projects feature integrated approaches and competition for limited resources grows. Based originally on a concern regarding an IA, the Council asked for a policy paper to clarify the roles and comparative advantages of the IAs and ExAs for the December 2006 Council meeting. This lack of clarity causes unnecessary friction among Agencies, and it may further cause operations in the Agencies to be spread too thin over too wide a range of focal areas and functions, without possessing the necessary critical mass to sustain such wide involvement.

In this context, the existing capabilities of ExAs have not been fully utilized because of the limitations on direct access to resources. The indirect access mechanism continues to restrain GEF use of comparative advantages and existing expertise of some Agencies in other focal areas. There have been no clear and consistent procedures to determine whether the participating Agencies have the stated competencies.

In “Roles and Comparative Advantages of the GEF Agencies,” the paper prepared for the December 2006 Council meeting, it is recommended that GEF Agencies focus their involvement in GEF project activities within their respective comparative advantages and assigned primary roles, and that the seven ExAs operating under expanded opportunities be granted direct access to GEF funding based on their comparative advantages (GEF 2006c). This would, if approved, provide an opportunity for more transparent and healthy competition and potentially pave the way to ensure countries’ access to the most appropriate Agency to help them address their priority issues within

the RAF. The GEF mechanisms for developing strategies and operationalizing Council policies have not caught up with the changed context in which the GEF operates.

Challenges Posed by the RAF

The newly introduced Resource Allocation Framework has transferred increased responsibility, and consequently GEF portfolio ownership, to the country level. It also provides for more predictability in resource allocations within the focal areas of climate change and biodiversity. While these advantages have been welcomed by partnership Agencies, a certain degree of skepticism remains among the ExAs regarding the impact on their enhanced participation.

The involvement of ExAs in the RAF system has been irregular. From the interviews with the ExAs, it transpired that some Agencies were asked for comments on this system, while others were not. Some Agencies have participated in the subregional consultation meetings on the RAF. However, and not considering the pilot program on Country Dialogue Workshops, ExAs have not been adequately involved in the National Dialogue Initiative, which also provided assistance to and training of national focal points to guide the process of identification of national priority areas as this relates to the GEF and the likely Agencies to be involved in subsequent project development and implementation. As a consequence, it is not clear whether the potential role and comparative advantages of the ExAs have been sufficiently made known to the national focal points.

With the RAF in effect for GEF-4, countries were requested to endorse their project proposals by September 2006. At the time of this writing (October 2006), 55 endorsement letters had been received by the GEF Secretariat. A preliminary analysis of these letters reveals an imbalance in

the proposed project distribution among the 10 IAs and ExAs. The initial round of proposals for the climate change and biodiversity focal areas included only 5 ExA projects out of 241 (2 percent), or 3 percent of the total country-endorsed allocations. An additional 4 percent of allocations for joint projects may also include ExAs, but not under direct access. These figures show no positive evolution in ExAs' involvement as compared to GEF-3. It should be noted that there is an overall imbalance, as the shares of most Agencies appear to decline relative to one Agency.

Imbalance in Projects Proposed versus Resources Available

As the GEF moves from the GEF-3 to the GEF-4 replenishment period, fund availability has emerged as an issue. This can cause additional delays in approval and start of projects because of temporary scarcity of funds, as well as rejection of proposals. Several ExAs work with land degradation, for which demand has outstripped supply of resources in GEF-3. Currently, the pipeline across focal areas is greater than anticipated resources, and a process of pipeline re-endorsement has been established by the GEF Secretariat.

This situation contributes to the competition for GEF resources and poses additional challenges in determining which are the project proposals with greatest potential, until new measures announced on project review points of entry are operational.

Fatigue of Operational Staff

While all ExAs remain committed to increasing their involvement in the GEF, at the operational level it is becoming increasingly challenging to justify time and resources spent on a lengthy project development process, combined with high uncertainties and occasional funding interruptions surrounding the approval and dis-

bursement processes. This was evidenced in the interviews with all ExAs and one IA. The staff for GEF focal points has been reduced in three ExAs. The opportunity cost associated with GEF project development is approaching a point where ExAs may become discouraged and not deem it worth the time and effort spent vis-à-vis the expectation of approved projects. This is exacerbated by the fact that ExAs have to subsidize their involvement in upstream activities.

The dynamics of GEF approval are not clear to certain ExA staff, nor to country stakeholders, as noted in the Joint Evaluation of the GEF Activity Cycle and Modalities. ExAs without offices in Washington, D.C., perceive that the physical distance between GEF and ExA staff contributes to longer and more uncertain processing of their proposals, in contrast to certain IAs based in the same area, which can interact extensively with the GEF Secretariat or which have an established and historical practice of personal contacts. The annual GEF Familiarization Seminar, in which ExA staff can participate at Agency cost, goes some way in bridging this gap.

Complexity of the GEF Activity Cycle

As shown in the Joint Evaluation, the GEF project cycle is unduly lengthy and complex. This has affected the ExAs, especially in cases of indirect access when the cycle of the respective IA has to be added. The difficulty of working with and synchronizing three different cycles increases the risk that GEF project elements are structured into separable, identifiable components that discourage integration with the other non-GEF-funded components. Most ExAs have found themselves affected by a number of factors related to the cycle, including frequent GEF policy changes, gaps in communication flow between the GEF Secretariat and Agencies, the cofinancing requirement, country-level capacity issues, and difficulties encoun-

tered when trying to reconcile national execution modalities with GEF requirements.

Unless the GEF Activity Cycle is significantly revised, it will continue to pose obstacles to effective integration of partners, country needs, and new and innovative approaches. On the other hand, a possible revamping of the cycle would present an opportunity for the ExAs to reflect their needs and concerns in the design of the cycle process.

C.6 Conclusions

The SWOT analysis shows that the objective is attainable, provided that certain conditions are met as identified by the analysis. They are described in the main evaluation report.

Overarching Constraints

The enhancement of expanded opportunities will not, by itself, be sufficient to remove all the constraints affecting the involvement of ExAs in the GEF. This involvement is influenced by a number of overarching barriers identified in the SWOT analysis. Such constraints are partly external to the question of enhanced opportunities and affect both IAs and ExAs, and include the following:

- **The complexity of the Activity Cycle and cycle delays.** The Joint Evaluation of the GEF Activity Cycle and Modalities has identified unacceptable and increasing delays in the Activity Cycle duration.
- **Challenges posed by GEF-4 and the RAF, including the imbalance in projects proposed versus resources available.** The ExAs have not been fully involved in planning and setting up the RAF mechanism. Given their low involvement so far in the GEF, recipient countries may perceive their involvement in project preparation as more risky, and consequently select the established IAs.

- **Lack of transparency and predictability in the strategic and operational processes of the GEF.** All stakeholders and Agencies are faced with different difficulties in obtaining adequate and full information on GEF matters.
- **Joint projects and indirect access.** Cooperation among different Agencies, although desirable, is traditionally not easy to achieve and adds to the inherent delays of the cycle.

Recent Developments

A joint meeting of the GEF Secretariat with the IAs and ExAs, the Trustees, and the Evaluation Office took place on October 13, 2006, when the drafting of the report for this evaluation was being completed. The meeting participants agreed to the CEO proposal to request the Council at its December 2006 meeting to further enhance the involvement of the ExAs within the GEF partnership.

Specifically, it will be proposed to the Council to

- grant direct access to GEF funding to the seven ExAs under Expanded Opportunities based on their comparative advantages,

- discontinue the corporate budget allocation to the three IAs and establish the project management fee set at 10 percent for all Agencies,
- expect all Agencies to participate in GEF corporate activities led by the Secretariat.

In turn, it is also expected that all GEF Agencies should focus their involvement in GEF project activities within their respective comparative advantages and that the GEF Secretariat would assess the role of the Agencies for project proposals early in the cycle. The implementation of these requests will go a long way toward enhancing the involvement of ExAs in the GEF at both the policy and operational levels.

Notes

1. Paper written by Oscar Gonzalez-Hernandez.
2. These tools include the World Bank's Integrated Controller's System, the United Nations Development Programme's Results-Oriented Annual Report, IDB's Project Performance Monitoring Report, and ADB's Project Performance Report.

Attachment

SWOT Analysis Worksheet

Main Objective: Enhancing the Participation of Executing Agencies in GEF Operations

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Mandates and policies of the ExAs 2. Institutional capacity and experience in GEF project development and implementation 3. Sustained interest to work with the GEF 4. Increased collaboration among Agencies 	<ol style="list-style-type: none"> 1. Insufficient involvement of the ExAs in policy, decision-making, and resource allocation matters 2. Lack of an incentive structure for enhanced participation 3. Counterproductive competition for GEF resources 4. GEF processes are not conducive to private sector participation 5. Complexity and lack of planning in establishing a legal framework for participation
Opportunities	Threats
<ol style="list-style-type: none"> 1. Primacy role of IAs blurred with time 2. High transaction costs in indirect access 3. Different, complementary, and innovative approaches 4. GEF "green label" 5. Possibility to soften loans 6. Incremental cost calculations 	<ol style="list-style-type: none"> 1. Lack of transparency and predictability in GEF strategic and operational processes 2. Unclear interpretation of comparative advantages and limited direct access of some ExAs 3. Challenges posed by the RAF 4. Imbalance in projects proposed versus resources available 5. Fatigue of operational staff 6. Complexity of the Activity Cycle

Annex D. Management Response

D.1 Introduction

This is the management response to the document *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.

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.

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.

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

D.2 Findings and Conclusions

The conclusions of the evaluation are summarized as follows:

- **Conclusion 1:** The Executing Agencies with Expanded Opportunities face structural constraints in the GEF.
- **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.
- **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.

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 cofinancing 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.

The major factors identified by the evaluation as drivers of the observed constraints and unequal-

ity 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.

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

- 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
- Only the Implementing Agencies have received a corporate core budget
- Several corporate activities related to policy development and programming have not included the Executing Agencies

D.3 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.

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:

1. The seven Executing Agencies under Expanded Opportunities will be granted direct access to GEF funding based on their comparative advantages.
2. The current corporate budget for the Implementing Agencies will be abolished as of FY 2008.
3. The project cycle management fee applicable to all GEF Agencies will be increased from 9 percent to 10 percent.¹
4. The increase in fee of 1 percent will be used by all GEF Agencies to contribute to the corporate activities of the GEF.
5. All GEF Agencies should focus their involvement in GEF project activities within their respective comparative advantages and assigned primary roles.
6. 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 16 (GEF 2006c).

- **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.

The GEF Secretariat in principle agrees with this recommendation and finds that the concrete steps mentioned above will allow the Executing Agen-

cies 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.

The GEF Secretariat finds that a renegotiation of the memorandums of understanding with the Executing Agencies, as suggested by the evaluation, is not required. Only the memorandum of understanding 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.

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.

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.

Note

1. The total fee amount for any Agency in a fiscal year cannot exceed what it would have received at a 9 percent fee plus the \$3 million that it would have received as corporate budget.

References

The GEF Council documents cited here (indicated with the designation “GEF/C.xx”) are available on the GEF Web site, www.theGEF.org, under Documents/Council Documents.

Global Environment Facility (GEF). 1994a. “Collaboration between the World Bank and the Regional Development Banks in GEF Implementation: A Status Report.” GEF/C.2/Inf.2.

———. 1994b. *Instrument for the Establishment of the Restructured Global Environment Facility*. Reprinted 2004; at http://thegef.org/GEF_Instrument3.pdf.

———. 1995a. “Accountability of Implementing Agencies for Activities of Executing Agencies.” GEF/C.3/9.

———. 1995b. “World Bank Accountability for Executing Agency Activities.” GEF/C.5/13/Rev.1.

———. 1998. “Expanded Opportunities for Executing Agencies.” GEF/C.12/10.

———. 1999. “Expanded Opportunities for Executing Agencies: Recent Efforts and Current Proposals to Expand Opportunities for Regional Development Banks.” GEF/C.13/3.

———. 2000. “Review of Progress in Expanded Opportunities for Executing Agencies.” GEF/C.15/4.

———. 2001. “Criteria for the Expansion of Opportunities for Executing Agencies.” GEF/C.17/13.

———. 2002. *The First Decade of the GEF: Second Overall Performance Study*. (OPS2). Washington, DC.

———. 2003. “Review of Experience with Executing Agencies under Expanded Opportunities.” GEF/C.22/12.

———. 2005. “Policy Recommendations for the Fourth Replenishment of the GEF Trust Fund.” GEF/R.4/30.

———. 2006a. “Comparative Advantages and Complementary Roles of the Implementing Agencies and Executing Agencies of the GEF.” GEF/C.28/15.

———. 2006b. “Corporate Budget FY07.” GEF/C.28/8.

———. 2006c. “Roles and Comparative Advantages of the GEF Agencies.” GEF/C.30/9.

Global Environment Facility Evaluation Office (GEF EO) (formerly the Office of Monitoring and Evaluation). 2005. *OPS3: Progressing Toward Environmental Results. Third Overall Performance Study of the Global Environment Facility*. Washington, DC.

———. 2006. *Annual Performance Report 2005*. Evaluation Report No. 31. Washington, DC.

2007a. *Evaluation of Incremental Cost Assessment*. Evaluation Report No. 34. Washington, DC.

———. 2007b. *Joint Evaluation of the GEF Activity Cycle and Modalities*. Evaluation Report No. 33. Washington, DC.

Global Environment Facility Executing Agencies (GEF ExAs). 2006. “Joint Response of the GEF Executing Agencies to the Paper Prepared by the GEF Secretariat on Comparative Advantages and Complementary Roles of the Implementing Agencies and Executing Agencies of the GEF.” GEF/C.28/CRP.5.

International Fund for Agricultural Development (IFAD). 2003. “Administrative Procedures for Environmental Assessment in the Project Cycle.” President’s Bulletin No. 94/03.

United Nations Industrial Development Organization (UNIDO). 2005. “UNIDO Strategic Long-Term Vision.” GC.11/8, IDB.30/23. www.unido.org/doc/43143.



Global Environment Facility
Evaluation Office
1818 H Street, NW
Washington, DC 20433
USA

www.theGEF.org