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Agenda Item 8

EVALUATION OF THE EXPERIENCE OF EXECUTING AGENCIES UNDER EXPANDED OPPORTUNITIES IN THE GEF

SUPPORTED BY THE EVALUATION OFFICES OF THE EXECUTING AGENCIES OF THE GEF

(Prepared by the GEF Evaluation Office)

Recommended Council Decision

The Council, having reviewed document GEF/ME/C.30/4 *Evaluation of the Experience of Executing Agencies under Expanded Opportunities in the GEF* and the management response (GEF/ME/C.30/5) takes note of its recommendations and requests the GEF Secretariat and the GEF agencies to collaborate:

a. to take immediate action to involve the Executing Agencies consistently in GEF policy and strategy development; and

b. to provide a "level playing field" for Implementing and Executing Agencies.

The Council requests the GEF Evaluation Office to report through the Management Action Record on the follow-up to this decision. Council notes that management has proposed specific steps to implement these decisions in GEF/C.30/9, *Roles and Comparative Advantages of GEF Agencies*, and agrees to review those proposals under that agenda item.

The Council requests the Evaluation Office to initiate a longer term process of assessing the GEF's core partnership philosophy and the consequences of the GEF's network structure with a view to including its findings in the Fourth Overall Performance Study.

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EXECUTIVE SUMMARY

1. The participation in the GEF of other agencies than the Implementing Agencies (IAs) was foreseen by the GEF Instrument at the outset. Seven Executing Agencies have been granted access to GEF funding within their agreed scope for GEF operations, in 1999 and 2003, with the aim of increasing the capacity to prepare, implement, and mobilize resources for global environmental projects.

2. The Policy Recommendations for GEF-4 noted that significant potential for enhancing the involvement of these agencies remained. This evaluation identifies key barriers to the involvement of the Executing Agencies and provides related recommendations. The evaluation focused on process issues and on quality at entry of project proposals as well as on current levels of involvement of the Executing Agencies in the GEF, and made full use of information from the Joint Evaluation of the GEF activity cycle and modalities.

3. The Executing Agencies' participation in the total project portfolio of the GEF-3 replenishment remains at a rather modest share of 7.9 % for all seven Executing Agencies combined and including both direct and indirect access involvement. There are, as of January 2006, 38 approved projects with Executing Agency involvement, including 18 projects under direct access.

4. This evaluation reconfirms findings by past reviews that all the Executing Agencies have the relevant mandates and possesses technical capabilities to work on environmental matters. It finds that the quality of Executing Agency projects proposed for inclusion in the GEF Work Program is on par with internationally acceptable quality standards. The ability of the Executing Agencies to source and ensure co-financing for GEF initiatives follows the same pattern as for the Implementing Agencies.

5. The lack of involvement of the Executing Agencies in development of new policies, strategies and programs adds to the difficulties that the Executing Agencies face when preparing proposals for new projects. Furthermore, Executing Agencies face a lack of an incentive structure and budget allocations for their enhanced participation. The current low level of involvement of the Executing Agencies in the GEF curtails the achievement of the goals of the policy for Executing Agencies with Expanded Opportunities in the longer run.

6. The evaluation reached the following overarching **conclusion**:

(1) The Executing Agencies with Expanded Opportunities face structural constraints in the GEF.

These structural constraints are at two levels:

(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.

(3) There is no "level playing field" for the Executing Agencies when preparing project proposals.

7. The evaluation provides two **recommendations**:

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

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

8. The Executing Agencies should be invited to participate in the Executive Coordinators meetings. No other decision making entities should be set up parallel to existing ones to avoid any future transparency issues regarding decision making processes. Care should be taken that interactions on the RAF are fair to all partners in the GEF and all partners are invited to take part in consultations.

9. The Joint Evaluation on the GEF activity cycle and modalities recommends an overhaul of the current activity cycle and modalities of the GEF. In this overhaul, care should be taken to remove the barriers and constraints that Executing Agencies face when preparing project proposals. Executing Agencies with direct access in only one focal area should receive direct access to other focal areas based on their comparative advantage. The role of the Executing Agencies in cases of indirect access through joint projects should be recognized and made explicit and quantified in project documentation and the GEF database.

10. In addition, the evaluation also recommends that the GEF should set in motion a longer term process of assessing 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 evaluation raises the question whether the GEF would benefit by opening up to other agencies that have an established track record in collaborating with the GEF through the Implementing Agencies. However, any "opening up" of the GEF would have to be handled in a different and less bureaucratic manner than has been done for the seven Executing Agencies, and take account of increased requirements for fiduciary standards which will pose challenges for a future involvement of new partners.

11. Some issues discussed in the evaluation have meanwhile evolved. The CEO has decided in October 2006 to develop proposals to Council to abolish the corporate budget for Implementing Agencies; and instead increase the project fee to 10% for both Implementing and Executing Agencies, which is expected "to promote level playing field among all GEF Agencies". Executing Agencies are also to have an "enlarged scope of engagement" with the GEF, particularly FAO and UNIDO, to reflect their comparative advantages.

12. The draft report was shared with the Executing and Implementing Agencies for comments, and discussed at a workshop in New York City in September 2006. Comments received are included in this final version. Technical papers on several issues support the evaluation report and can be found on the GEF Evaluation Office website, at www.thegef.org (choose Evaluation Office, On-going Evaluations and Evaluation of the Experiences of the Executing Agencies).

1. INTRODUCTION

13. The participation in the GEF of other agencies than the Implementing Agencies (IAs) was foreseen at the outset[1]. The Council paper GEF/C.12/10 of September 1998 reviewed the experience and potential of expanding the opportunities for executing agencies to help undertake GEF projects. Four reasons were provided for such expansion: a) leveraging additional resources for the global environment; b) increasing the capacity to deliver high quality projects; c) drawing on diversified ideas and experiences; and d) 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 Implementing Agencies and the Asian Development bank (ADB), the Inter-American Development Bank (IADB), several bilateral assistance agencies, 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.

14. The GEF Council further expanded these opportunities in May 1999 (GEF/C.13/3) with the aim of increasing the capacity to prepare, implement, and mobilize resources for global environmental projects. Initially, the regional development banks were included in this effort. Three 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; Food and Agriculture Organization (FAO) and the UN Industrial Development Organization (UNIDO): POPs).

15. The experiences with the Executing Agencies under Expanded Opportunities were reviewed regularly. An extensive review took place in 2003 (GEF/22/12). Although progress was noted, the review also concluded that in order to fully exploit the comparative advantages of the Executing Agencies, the Agencies would need to be able to more directly access GEF funding for preparation of projects and be able to directly propose projects to Council. On the basis of this review, the Executing Agencies 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, whereas the three UN agencies were given direct access in the areas in which they were considered to have comparative advantages. The Executing Agencies would assume full legal and financial accountability to Council for the projects they implemented under direct access.

16. The Policy Recommendations for GEF-4 (GEF/R.4/30, December 1, 2005) noted that significant potential for enhancing the involvement of theses agencies remained and asked the GEF Evaluation Office to prepare a review of the experience of the Executing Agencies for Council consideration in December 2006. In June 2006, the GEF Council confirmed this request and decided to finance this evaluation as a "special initiative". The Executing Agencies announced at the Council 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 Executing Agencies and provide recommendations to enhance the involvement of the Executing Agencies in the GEF.

[1] Instrument for the Establishment of the Restructured GEF (Section VI and paragraph 20 (f)), effective July 7, 1994.

17. Early 2006 the Secretariat of the GEF reviewed the “Comparative Advantages and Complementary Roles of the Implementing Agencies and the Executing Agencies of the GEF” (GEF/C.28/15). The Executing Agencies prepared a joint response (GEF/C.28/CRP.5) to this review, which noted that both their knowledge and resources were still underutilized by GEF and recipient countries, and suggested that further steps should be taken to accelerate their engagement in GEF operations.

2. Scope, Methodology and Portfolio Overview

18. The GEF portfolio of Executing Agencies with direct access is still relatively recent and thin. This means that the results of Executing Agency 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 Executing Agencies in the GEF.

19. This evaluation made full use of the Joint Evaluation of the GEF activity cycle and modalities regarding the portfolio of the Executing Agencies and information on the involvement of the Executing Agencies at the country level. By combining the data from the Joint Evaluation with additional desk reviews and interviews, a comprehensive overview of issues could be gathered and analyzed.

20. The evaluation applied a combination of documentation review from a variety of sources (Council, GEF Secretariat, GEF Evaluation Office, Executing Agencies and Implementing Agencies), analysis of the Executing Agency GEF portfolio, and semi structured interviews with key stakeholders, namely the GEF Secretariat, the three Implementing Agencies and all Executing Agencies (focal points and operational staff) and a few Council members, to gain insights from their respective perspectives. The evaluation benefited from the detailed notes on the extensive interviews with stakeholders in the field by the Joint Evaluation of GEF Cycle and Modalities.

21. Desk reviews were carried out for a focused quality-at-entry assessment of Executing Agency projects by perusing the available project documentation against a subset of GEF Operational Principles and earlier quality assessments. Use was made of earlier quality assessments, and specifically the M&E quality at entry assessment that was prepared for the GEF Annual Performance Report 2005. For the latter, a total of 74 full size projects that were CEO endorsed in FY 2005 were assessed, 68 of these were IA projects and 6 had EA involvement (equally split between direct and indirect access). Additionally, due attention was given to the processing of selected projects where Executing Agencies participated in different capacities, either as a lead agency or contributing to a joint effort.

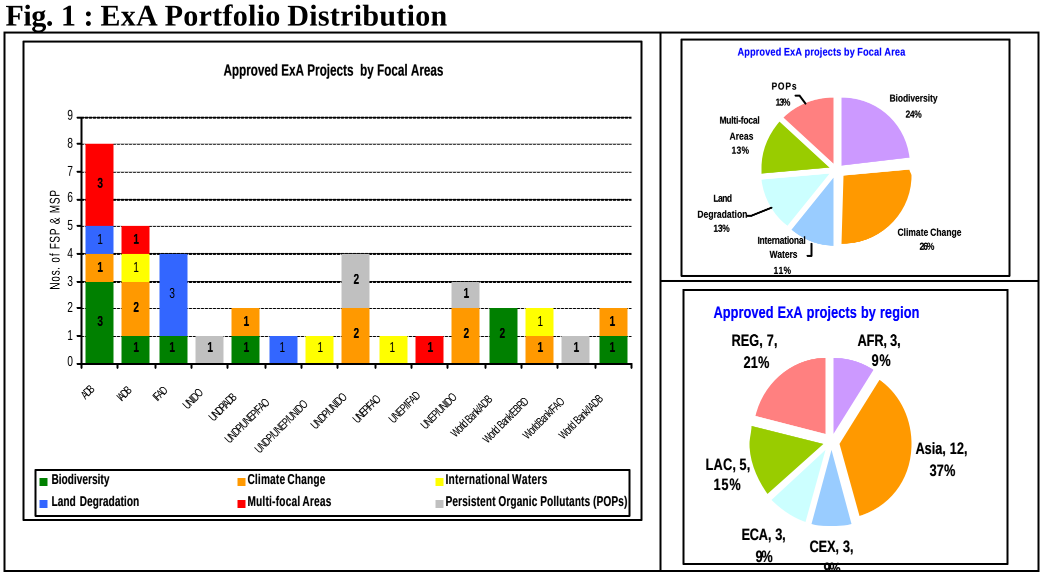
22. Participation at the third General Assembly of GEF was useful to conduct interviews and identify issues affecting the expanded opportunities. On 27 September 2006, a workshop organized by the GEF Evaluation Office in New York allowed the presentation and discussion of the first findings of the present evaluation to the Executing Agencies and collect their reactions and suggestions.

23. The data on the Executing Agency portfolios was provided by the database of the Joint Evaluation for which the project data was 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.

24. A SWOT analysis was carried out, which identifies the Strengths, Weaknesses, Opportunities and Threats for an enhanced involvement of the Executing Agencies in the GEF. This SWOT analysis provided the basis for the formulation of main findings and recommendations. Supporting documentation is available on the GEF Evaluation office Website; including technical papers on the historical evolution of the expanded opportunities, the SWOT analysis, and quality-at-entry and portfolio issues.

25. There are, as of January 2006, in total 38 approved projects with Executing Agency involvement, representing both direct access and indirect access projects, the latter including jointly implemented projects from the Pilot Phase[2] through GEF-3. These comprise 18 projects prepared by Executing Agencies under direct access, as well as 20 projects prepared by Implementing Agencies with Executing Agency participation but not under expanded opportunities. The majority of approved projects with Executing Agency involvement originates from the international financial institutions (the 4 Regional Development Banks and IFAD) and constitutes about 68% of the number of projects in the portfolio. From the focal area perspective, 50% of the projects deal with the areas of Climate Change and Biodiversity, with a relatively even distribution of the remainder among Land Degradation, International Waters, POPs and Multi-focal areas. A large proportion of these projects are in Asia (37%). Figure 1 gives an overview of the approved projects per Executing Agency across all GEF Replenishment periods and includes jointly implemented projects with Implementing Agencies. The distribution by focal area and region is also reflected.

Fig. 1 : ExA Portfolio Distribution



3. CONTEXT AND RECENT DEVELOPMENTS

26. The involvement of the Executing Agencies in the GEF has to be analyzed within a context of issues that affect them. These issues are partly external (problems in the project cycle that affect all agencies and the introduction of the RAF) and partly due to delays occurring in the process of ensuring the legal framework for direct access and enhanced opportunities.

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[2] The Costa Rica Tejona Wind Power Project, GEF project id No. 60, was listed under the GEF Pilot Phase and was jointly implemented by the World Bank and IADB.

27. **Cycle Delays.** The Joint Evaluation has identified increasing delays throughout the project cycle. This is arguably the single main issue affecting the involvement of Executing Agencies in the GEF. The Executing Agencies 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 Executing Agencies had to go through a steep learning curve in order to make use of the enhanced access. The Executing Agencies are now more confident that they are conversant with the processing of GEF projects.

28. **Legal Context.** Executing Agencies' direct access to GEF financing can be depicted as a staggered stop-and-go process, whereby Executing Agencies were granted different levels of direct access to GEF resources at different times and sometimes with substantial elapsed time between main decisions. The 1992 GEF Assembly encouraged Implementing Agencies to work with Regional Development Banks on Framework Agreements to enable them to act as Executing Agencies within the restructured GEF. However, it was not until May 1999 that the Council granted the four Regional Development Banks (the African Development bank (AfDB), ADB, the European Bank for Reconstruction and Development (EBRD) and IADB) direct access for determining project eligibility and for approval of PDF-B grants. Over three years later, in October 2002, ADB and IADB were granted expanded access to PDF-A, medium-size (MSP) and full-size projects (FSP), 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 signing of the Memoranda of Understanding and Financial Procedures Agreement between the Trustee (acting on behalf of the GEF) happened from June 2004 to June 2005, when all Executing Agencies (except the EBRD) completed the legal requirements to have direct access to GEF resources. 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 MoUs and the Legal Financial Agreements dealing with the fiduciary issues.

29. **Challenges posed by GEF-4 and the Resource Allocation Framework (RAF).** The recently introduced Resource Allocation Framework adds impetus to the aspect of country ownership. However, it is not entirely clear at the moment what criteria are being used to set the 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 Resource Allocation Framework at country level, while potentially increasing local ownership, may therefore pose special problems for an increased participation of Executing Agencies. Given their low involvement so far in the GEF, countries may perceive their involvement in project preparation as risky and consequently go for the established Implementing Agencies.

30. **Recent developments.** The CEO of the GEF met representatives of the Implementing and Executing Agencies in Washington, DC, on October 11-13, 2006. The CEO announced that a proposal will be submitted for Council consideration to enlarge the scope of engagement with the Executing Agencies, particularly UNIDO and FAO, to reflect their true comparative advantages. Furthermore, the CEO will propose to the Council that the Implementing Agencies no longer receive a corporate budget and that project fees be increased to 10%. According to the meeting, this will promote a more level playing field among all the GEF agencies. Furthermore, the project 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

31. This evaluation reconfirms earlier findings by past reviews that all the Executing Agencies have the relevant mandates and possess technical capabilities to work on environmental matters. Indeed, the four regional development banks and the UN agencies seem to strengthen the foundation 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, they constitute a good match to work with 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 own staff or counterparts.

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

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

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

33. The limited involvement of Executing Agencies in policy and strategy development in the GEF is largely due to historical precedent since the GEF was originally established with only the three Implementing Agencies in mind, with budgetary provisions made available to enable these Agencies to fully take part in the GEF management structures. The GEF has evolved since that time with the inclusion of the Executing Agencies who 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 sub-optimal and at times strained relationship between the GEF Secretariat and the Executing Agencies. The involvement of the Executing Agencies in the strategic development of the GEF has improved in recent times but the lack of budget allocations to the Executing Agencies for this work hinders their involvement.

34. Specifically, areas where involvement of Executing Agencies is facing constraints can be listed as follows:

[3] The GEF corporate budget stands at around US$ 3 million for FY06 per IA.

[4] See the Joint Evaluation of the GEF activity cycle and modalities.

- Executive Coordinators Meetings. The Executing Agencies are not included in these meetings. Agendas and proceedings are not distributed to the Executing Agencies who are later informed, sometimes verbally, about decisions taken in such meetings.
- Informal meetings. The same applies to ad-hoc meetings between the CEO or the GEF Secretariat and Implementing Agencies.
- Task Forces and other technical meetings. While in the past Executing Agencies did not participate in such meetings, they are currently invited, albeit not routinely, to attend meetings in those focal areas where they have direct access. Participation is often via teleconferencing.
- Information flows on policy matters. While it seems that such flows have improved, the issue here is that Executing Agencies are not involved in policy decisions of GEF, which often affects them.
- RAF. The involvement of Executing Agencies in the RAF has been irregular. While some agencies have been asked for comments, others were not. The RAF endorsement letters reflect an imbalance in Agency involvement.

35. The Executing Agencies have participated through their GEF focal points, operational staff and evaluation units in the recent GEF Evaluation Office exercises, namely the Joint Evaluation of the GEF activity cycle and the present evaluation, and were fully involved in the development of the GEF M&E policy. The Executing Agencies have also been invited to contribute to the establishment of the new 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 the Trustee. The Executing and Implementing Agencies 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 and how communication channels are to be used 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

36. The Executing Agencies' participation in the total project portfolio of the GEF-3 replenishment remains at a rather modest share of 7.9 %[5] for all seven Executing Agencies combined and including both directand indirect access resources. Furthermore, a breakdown of this figure shows that more than half of the total approved allocation to Executing Agencies falls under indirect access. This uneven distribution is a cause for concern from the perspective of the Executing Agencies 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 Executing Agencies as of August 2006 are depicted in the tables below.

[5] This 7.9 % was calculated based on the total allocation for approved projects in GEF-3, including the Council approvals in June and Aug 2006. The total approved GEF-3 project allocations up to August 2006 stands at US$ 2,582,247,782 (source: JE database and PMIS). This figure doesn't include the allocations for enabling activities, only PDF resources and GEF project budgets have been considered. The total approved allocation for enabling activities in GEF-3 was US$ 143.95 Mi, out of which US$ 11.42 Mi (8%), was allocated to one Executing Agency, UNIDO.

Table 1: Overview Direct Access portfolio of Executing Agencies (ExAs) in GEF-3 Work Programs (WP)

Agencies	No. of Projects		Approved WP amounts (in $ millions)			Share of total approved WP amounts (%)
	FSP	MSP	FSP	MSP	Total	
ADB	4	3	50.56	2.28	52.83	2.0%
IADB	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: Overview Indirect Access portfolio of Executing Agencies in GEF-3 (aggregated data)

	No. of Projects		Approved WP amounts (in $ millions)			Share of total approved WP amounts (%)
	FSP	MSP	FSP	MSP	Total	
All ExAs	11	2	109.70	2.00	111.70	4.3%

37. The figures in Table 2 include all joint projects with Executing Agency involvement, also encompassing projects where arrangements have been worked out that enable direct access to resources by the Executing Agencies.[6]

38. The total participation of Executing Agencies in Enabling Activities in GEF-3 was also small, amounting to 8% of all approved Enabling Activities. The total approved amount for enabling activities in GEF-3 was US$143.95 million, out of which $ 11.42 million (8%) was allocated to UNIDO, the only Executing Agency with an Enabling Activity portfolio. This signified a substantial participation in the total share (32%) of approved Enabling Activities for POPs. The table below gives an overview of UNIDO's participation in enabling activities.

Table 3: Overview ExA Enabling Activities portfolio in GEF-3 (in million US$)

	Total No.	Total Approved	Share of total approved (%)	Share of total approved for POPs (%)
UNIDO	18	$ 11.41	8%	32%

39. 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 Executing Agencies projects, out of 241 (2%), accounting for 3% of the total country-endorsed allocations. An additional 4% of allocations for joint projects may also include Executing Agencies, but not under direct access. These figures show no positive evolution in Executing Agencies' involvement when compared to GEF-3.

[6] For example the project WB/IADB ACICAFOC-CCAD: "Central American Indigenous and Peasant Coordination Association for Community Agroforestry (ACICAFOC) and the Central American Commission on the Environment and Development (CCAD) "

40. The desk review of the Executing Agency 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 that are also reflected in the operational principles for development and implementation of the GEF work program.

41. The ability of the Executing Agencies to source and ensure co-financing for GEF initiatives follows the same pattern as for the Implementing Agencies. The financial institutions (the four Regional Development Banks and IFAD) seem to exhibit a greater leveraging capacity than FAO and UNIDO. This could be related to the fact that GEF funds are oftentimes used to "soften" loans that in turn provide for the bulk of the co-financing.

42. The important constraints are the lack of transparency and the resulting unpredictability, especially with regard to policy shifts and resource allocations, which should come as no surprise given the lack of information exchanged between the GEF Secretariat and the Agencies during the approval process. This in turn leads to a heightened sense of uncertainty since it is not always sufficiently made clear why certain proposals "made it" while others fell through. This evaluation and the Joint Evaluation have identified that this lack of transparency revolves around:

- Inadequate and irregular information flow: 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 Executing Agencies.
- Overall GEF policies and strategies (such as undisclosed focal area criteria of what types of projects will be funded at a given time, RAF allocations, policies on adaptation and CDM).
- Operational policies and procedures (which procedures apply to which types of projects, definitions and language, the Operations Manual limited to the GEF Secretariat, access to special funds).
- Project management (project status, tracking in the cycle, actual expenditures, decisions made, accountability).

43. As has been pointed out by many recent evaluations, the database of GEF projects is not reliable. A specific point important for the Executing Agencies is that the database does not provide full recognition of the role of Executing Agencies when projects are submitted through an Implementing Agency.

5. RECOMMENDATIONS

44. While there are opportunities to enhance the involvement of Executing Agencies, it seems that there is a structural limit to their participation in the GEF. The Instrument and the current structure of the GEF are based on the primary role of the three Implementing Agencies. The question could be raised whether that primary role is still actual 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 Instrument of the GEF, which are not feasible in the short run. In the next section on "issues for the future", some issues are highlighted which could be considered for further analysis in the coming years.

45. The current low level of involvement of the Executing Agencies in the GEF curtails the achievement of the objectives of the policy for Executing Agencies with Expanded

Opportunities in the longer run. There is evidence of fatigue of operational staff in Executing Agencies to work with GEF due to the complexity and timelines of the project cycle and the unpredictability of financing. Indeed, it is becoming increasingly challenging to justify time and resources spent on a rather lengthy project development process combined with high levels of uncertainties surrounding the approval process. This is further exacerbated by disruptions in disbursements during project implementation as experienced during occasional funding interruptions. The opportunity cost associated with GEF project development is progressively approaching a point where the operational staff at the Agencies (task managers) become discouraged and would not deem it 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

46. The Executing Agencies should be invited to participate in the Executive Coordinators meetings. It is probably not feasible to suddenly increase the participation at such meetings from 3 to 10 representatives of agencies. Therefore it is suggested to arrange the participation of the Executing Agencies on a rotating basis. The regional banks could be represented by one participant and the UN agencies by a second participant. Agendas and minutes for the Executive coordinators and ad-hoc meetings should always be prepared and distributed to all agencies and country focal points.[7] No other decision making entities should be set up parallel to existing ones to avoid any future transparency issues regarding decision making processes. Furthermore, involvement in current decision making in the GEF may also allow the Executing Agencies to voice concerns or complaints for which currently they would need to approach the 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

47. The Joint Evaluation on the GEF activity cycle and modalities recommends an overhaul of the current activity cycle and modalities of the GEF. In this overhaul, care should be taken to remove the barriers and constraints that Executing Agencies face when preparing project proposals.

48. Executing Agencies with direct access in only one focal area should receive direct access to other focal areas based on their comparative advantage as well. With the increased emphasis on the inter-linkages between focal areas and the linkage between global environmental benefits and sustainable development, the arguments for keeping Executing Agencies confined to one specific focal area are no longer as valid. This will entail renegotiation of the relevant Memoranda of Understanding.

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

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

[7] It is recognized that minutes of the Executive Coordinators meeting of September 21, 2006 were so distributed.

6. Issues for the Future

51. As noted above, the current structure of the GEF gives a special role to the Implementing Agencies, which has led to providing these Agencies with substantial corporate budgets and involvement in crucial decisions of the GEF, such as the selection of the candidates for Chief Executive Officer and Chairman of the Council. Direct access of Executing Agencies to GEF funding is in their view hindered by remaining "second class partner" within the GEF on corporate issues. Whether or not the GEF continues as a partnership with first and second class partners, or whether it would turn into a more equal partnership, is an issue that would need to be explored within the Council and would need to be settled by the Assembly of the GEF.

Recommendation 3: The GEF should set in motion a longer term process of assessing 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

52. The perception of the Executing Agencies is that the corporate budget provides an advantage to the Implementing Agencies when preparing project proposals. Meanwhile, the CEO has decided in October 2006 to develop proposals to Council to abolish the corporate budget for Implementing Agencies and raise the project fee with a percentage point to allow all agencies receiving project fees to undertake corporate activities. This poses the challenge to develop a clear linkage between corporate "fees" and corporate products. Providing transparency on the uses of the corporate "fee" will reduce the perception amongst partners that it provides an advantage when preparing project proposals.

53. It should be recognized that with the current seven Executing Agencies the full potential of agencies with comparative advantages to be involved in the GEF as equal partner is not yet realized. Several international agencies have track records as executing agencies without enhanced opportunities and have the potential to contribute with innovative solutions to global environmental concerns. For instance, the international atomic energy agency (IAEA) has fully prepared medium size projects submitted through an Implementing Agency, one already approved and under implementation. The Organization of American States has prepared and implemented most of 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.

54. This evaluation did not study the experiences or comparative advantages of these agencies, but raises the question whether the GEF would benefit by opening up even more, especially to agencies that have an established track record in collaborating with the GEF through the Implementing Agencies. However, it is also clear from this evaluation that any "opening up" of the GEF would have to be handled in a different and less bureaucratic manner than has been done for the seven Executing Agencies. Furthermore, the requirements for fiduciary standards have since been increased in the GEF-4 policy recommendations, which will pose additional challenges for a future involvement of new partners.