



Global Environment Facility

GEF/C.18.8

November 15, 2001

GEF Council
December 5 – 7, 2001
Agenda Item 10

**OVERALL STRUCTURE, PROCESSES AND
PROCEDURES OF THE GEF**

PREFACE

At its meeting in May 2001, the Council requested the Secretariat to prepare for consideration at the December Council meeting, as well as at the October replenishment meeting, a paper on the overall structure, processes and procedures of the GEF, taking into consideration the findings and conclusions of Second Overall Performance Study.

In preparation for the replenishment meeting held in Edinburgh, Scotland, in October 2001, the CEO prepared an *Initial Note on the GEF Structure, Processes and Procedures*. The replenishment meeting held a constructive dialogue on the objectives of the note and the ideas presented therein, and recognized that discussions on the GEF structure, processes and procedures of the GEF should aim at improving its performance.

The attached paper on *Overall Structure, Processes and Procedures of the GEF* has been prepared by the GEF Secretariat, in consultation with the Implementing Agencies. It takes into consideration the draft report of the Second Overall Performance Study, the discussions at the October replenishment meeting as well as additional input provided to the Secretariat by the Implementing Agencies.

After the Edinburgh meeting, the World Bank convened a senior inter-agency team to ensure that their views would be coordinated for submission to the Secretariat. The GEF Secretariat was also invited to the meeting.

In preparing this paper, the Secretariat convened three meetings of the Executive Coordinators of the Implementing Agencies to discuss the points to be included in the note and to review proposals for paper. In preparation for these discussions, the Secretariat prepared a number of working drafts on which the agencies provided comments. The agencies also prepared individual inputs and options.

The Secretariat also consulted quite extensively with the World Bank Legal Department on Part III of the paper which addresses the need to specify the autonomous institutional authority of the GEF.

On the basis of this collaborative work, a draft was prepared for review by the CEO and the Heads of the Implementing Agencies. A meeting of the CEO and the Heads of the Agencies was held by video conference on November 13 to discuss the draft.

Taking into account comments raised at that meeting, the text was revised and circulated on November 13 for final review and comment by the Implementing Agencies. The Secretariat received extensive comments from each of the Implementing Agencies.

Recognizing that the Council at its December meeting is requested to provide guidance on the concepts, proposals and strategic directions contained in the paper and next steps, and not to approve the specific wording in it or to take a final decision on the proposals, as well as the urgent need to

disseminate the paper in view of the opening of the Council meeting in less than three weeks, it was concluded that there is not sufficient time to reconcile the three sets of comments. Therefore, the comments of the three Implementing Agencies as received by the Secretariat on November 14 and 15 are annexed to the paper.

Recommended Council Decision

The Council reviewed document GEF/C.18/8, *Overall Structure, Processes and Procedures of the GEF*, and requests the Secretariat, in consultation with the Implementing Agencies and the Trustee, to revise the note and the concepts, proposals and strategic directions contained in it for consideration by the Council at its meeting in May 2002, taking into account the comments made by the Council and with a view to facilitating discussion and agreement by the Council of recommendations to be presented to the Assembly in October 2002.

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INTRODUCTION

1. Ten years of experience since the establishment of the pilot phase of the GEF together with the Third Replenishment of the GEF Trust Fund and the convening of the Second Assembly make it opportune to assess GEF's impacts and results, strengths and weaknesses. With this in mind, the Council commissioned the Second Overall Performance Study of the GEF (OPS2), an independent evaluation of the GEF. OPS2 includes the findings, conclusions, and recommendations of the independent evaluation team. The first draft of the study's completed report was circulated to the GEF family at the beginning of November and will be discussed at the Council Meeting in December 2001.
2. In anticipation of the draft report of OPS2, the Council at its meeting in May 2001 requested "The Secretariat to prepare a paper for consideration at the next Council meeting, as well as at the next replenishment meeting, on the overall structure, processes and procedures of the GEF, taking into consideration the findings and conclusions of OPS2."
3. This note has been prepared in consultation with the Implementing Agencies and takes into consideration the finding and conclusions of OPS2. It also takes into account the discussions at the replenishment meeting held in Edinburgh, Scotland, in October 2001 on the "Initial Note by the CEO on GEF Structure, Processes and Procedures" and additional input to the Secretariat by the World Bank and the other Implementing Agencies on the initial note.
4. Over the last decade, the GEF, with the concerted efforts of its Implementing Agencies, has made significant impacts in the improvement of the global environment as documented in OPS2. But a number of concerns have also been raised (responsiveness to its clients, operational delays, confusion over roles, cost-effectiveness, etc.), and new developments have arisen. These new developments include:
 - (a) A broader mandate for the GEF emanating from the guidance of the Conventions;
 - (b) New conventions and protocols have been concluded addressing global environmental concerns which have requested the GEF to serve as their financial mechanism (POPs) or financially promote their objectives (CCD);
 - (c) Establishment of new convention funds that the GEF is to manage; and
 - (d) Significant growth in both the absorptive capacity of the countries and the delivery capacity of the Implementing Agencies and executing agencies.
5. With a decade of operational and institutional experience, and recognizing the ongoing concerns and new challenges facing the GEF, it is timely to consider the next phase in the Facility's institutional evolution as it enters the second decade of its existence.
6. It is worth noting that while OPS2 generally concludes that "the GEF has been able to produce very significant project results aimed at improving global environmental problems" and that "the GEF is

moving in the right direction and therefore deserves continuing support for its operational programs and activities”, some of the findings of OPS2 echo concerns regarding GEF responsiveness, slow implementation and disbursement, cost effectiveness and country drivenness raised by the GEF Council and developing countries at the Conferences of the Parties to the Conventions and in other fora. Such concerns continue to be evident in recent decisions and declarations such as those of the seventh session of the Conference of the Parties to the UNFCCC in November as well as the African Regional Preparatory Meeting for WSSD in October.

7. The scope, conclusions and recommendations of OPS2 are broad and overarching, and they will require detailed consideration by the Council with a view to preparing a comprehensive response strategy over the next few months for review by the GEF Assembly. It is further recognized that the GEF Assembly, which will be meeting in October 2002, has the authority, on the recommendation of the Council, to approve structural changes to the GEF and amendments to the Instrument.¹ This paper therefore is focused on those issues arising from OPS2 that may require such action by the Assembly. It is expected that Council’s conclusions on any of these proposals will be integrated into its comprehensive response to the OPS2 recommendations.

8. The note focuses on three areas in which the present institutional and management arrangements of the GEF may usefully evolve so as to improve the effectiveness, responsiveness, and efficiency of the GEF. Part I of the note describes a new approach to strategic business planning aimed at maximizing the impacts and results achieved through GEF-financed activities in light of Convention guidance, country priorities, and available resources while providing greater predictability and transparency to the allocation of resources. Part II addresses the clarification of the roles of the respective partners in the GEF system with a view to streamlining processes and enhancing accountability, transparency and responsibility. Part III discusses the need to clearly specify the autonomous institutional authority of the GEF and the independent authority of the GEF Council and Secretariat to act on behalf of the GEF.

I. STRENGTHENED OPERATIONAL ARRANGEMENTS -- STRATEGIC PROGRAMMING FOR MAXIMIZING RESULTS AND IMPACTS

9. The ability to program effectively is vital to GEF.

- (a) **Strategic Targets.** GEF is the financial mechanism of the Convention on Biological Diversity and the United Nations Convention on Climate Change, and is also expected to assume this role for the Stockholm Convention on Persistent Organic Pollutants. GEF’s ability to meet the requirements of these conventions – and indeed to provide effective support on any other global environmental issues such as land degradation –

¹ Paragraph 34 of the Instrument provides: “Amendment or termination of the present Instrument may be approved by consensus by the Assembly upon the recommendation of the Council, after taking into account the views of the Implementing Agencies and the Trustee, and shall become effective after adoption by the Implementing Agencies and Trustee in accordance with their respective rules and procedural requirement. This paragraph shall apply to the amendment of any annex to this Instrument unless the annex concerned provides otherwise.”

clearly depends on its ability to program financial resources to maximize and sustain the results and impacts desired. In particular, GEF needs to be strategic and goal oriented while remaining flexible enough to program resources to meet the evolving needs of those conventions and to program for synergies across the various conventions it serves. Also, as a financial mechanism, GEF is accountable to its donors and other stakeholders to define in advance the outcomes it expects to achieve through programming the financial resources that are mobilized for such purposes.

- (b) **Geographical Balance and National Priorities.** At the global level, GEF is expected to program to ensure adequate geographical balance in order to address environmental issues that are global in nature and to be responsive to a country membership that is universally open. At the country level, GEF is expected to respond to national priorities.
- (c) **Operational Efficiency.** GEF should program resources in a predictable way to ensure effective operational planning and maximize the possibilities of mainstreaming operations, and to match balanced Work Programs against available resources.
- (d) **Catalytic Action and Structured Learning.** As the catalyst for global environmental action, GEF must program and coordinate different types of action -- in the proper sequence and through a variety of agencies, including through inter-agency collaboration. The programmed actions need to be sequenced first to demonstrate innovative approaches, then to transfer successful experience, and subsequently to facilitate replication by others. The partner agencies (principally the three Implementing Agencies, but supplemented by seven executing agencies with unique capacities) need to play different but coordinated roles according to their comparative strengths -- whether these roles be in creating enabling environments, providing technical assistance, investing in sustainable development, or in some other specialized area. As a learning-based institution, GEF needs to program its support in a sequence that will maximize the opportunities for structured learning -- through monitoring and evaluation and feedback into subsequent operations in the program.

Programming in GEF

Current Approach to GEF Business Planning

10. GEF's programming function has evolved in response to previous evaluations of its performance and to Council decisions. Up to 1996, the GEF Business Plan had been the synthesis of the business plans of the three Implementing Agencies but in 1997, the GEF Business Plan was established on a set of principles that included having an integrated approach and a corporate identity. Currently the planning cycle comprises the following:

- (a) The annual preparation of *Program Status Reviews* by the Secretariat in consultation with the Implementing Agencies through the inter-agency task forces and based on a knowledge of the portfolio through the Project Implementation Reviews and the pipeline. The PSRs identify the status of implementation of the Operational Programs, including any gaps and issues, and help direct attention to under-programmed areas.
- (b) The *GEF Business Plan* sets out the way in which impacts will be sought, country ownership strengthened, agency commitment deepened, partnerships extended, and operations made more efficient. The business plan projects (but does not program) the level of resources in each Operational Program or focal area over the following three years.
- (c) The *GEF Budget* seeks Council approval for resources for the non-project operations of the GEF entities for the first year of the business plan period (project implementation costs being covered by fees).
- (d) Individual GEF entities devise their own work plans in accordance with the GEF Business Plan and the GEF Budget.

11. Resources have been programmed by individual Implementing Agencies. In an attempt to standardize programming and project entry into the Work Program, the Secretariat prepared project review criteria in consultation with the Implementing Agencies in 1998. An understanding was reached at the May 1999 Council Meeting that the Secretariat would work with the Implementing Agencies and executing agencies to prepare a pipeline of GEF projects on a regular basis. From that time on, pipeline information on any given proposal has been made available to Council at least one meeting prior to the meeting at which the Work Program containing that proposal was to be discussed. It is important to note that while the GEF Pipeline provided for the first time valuable advance information about projects under preparation and an overall view of the GEF projects under preparation, it did not *program* projects on a corporate GEF basis. This is because pipeline entry is based on individual project merit according to the project eligibility criteria, and not on overall strategic or programmatic targets.

12. Programming on a GEF-wide basis has been done in a very limited way in response to specific Council concerns -- for example, to sequence the approvals of solar-thermal projects, fuel cell bus projects, and biosafety projects. In these cases, specific programming strategies were adopted to limit approval to an initial group of demonstration projects with subsequent follow up to be determined later on the basis of experience, evaluation, and STAP advice as appropriate.

Drawbacks of the Current Approach to GEF Business Planning

13. The current programming approach is deficient in meeting all the objectives set out in paragraph 9, and these deficiencies are now apparent.

- (a) GEF currently has no systematic way for setting strategic targets corresponding to the program priorities established through convention guidance, or for ensuring that such GEF-wide targets would be implemented operationally. Yet this is necessary at the GEF level: it cannot be done individually by each Implementing Agency, because no single agency has the comparative advantage or the assistance strategy to cover all the requirements.
- (b) GEF currently has no systematic way of ensuring balanced geographical coverage. This is particularly acute for the smaller and less developed countries. Similarly, GEF has no way to ensure that the group of proposals submitted for review cover national priorities in a balanced way, even granted that each such proposal is country-driven. Not every high-priority proposal of a country to meet its global environmental commitments fits both the country assistance strategy and the comparative advantage of an Implementing Agency. As a result, some countries believe that their GEF portfolios, while comprising projects that are individually endorsed, are not reflective of the balance of national priorities. Several countries have requested the Secretariat to redress this situation.
- (c) It is difficult to ensure predictable resource availability for the Implementing Agencies and at the same time a balanced Work Program with overall allocations matched to available resources. Beginning in November 2000, it has become necessary to phase projects to meet financial constraints and for Implementing Agencies to delay project funding requests. Excess demand for GEF resources has resulted from (i) increased country absorptive capacity as a result of enabling and outreach activities and (ii) introduction of new GEF operational programs. The excess demand coupled with the unpredictability of total resource needs for any given Work Program, has generated major challenges. For the GEF, the challenge is to develop balanced Work Programs that match available resources when the total allocation requested cannot be known with certainty until the projects are actually submitted for a Work Program. For the Implementing Agencies, the challenge is then to manage country demand, pipeline development, and mainstreaming GEF operations within constrained and unpredictable resources. The Overall Performance Study Report noted that a reasonable degree of predictability over the medium term future about the funding level of GEF activities is essential to maintain and further develop the Implementing Agencies' engagement with the GEF.
- (d) As OPS2 points out, cross-learning needs to be strengthened and accelerated. The GEF system could make significant improvements in recognizing success, and accelerating replication and integrating the lessons in future business and strategic planning.

Proposal for strengthened GEF Business Planning

14. It is generally agreed that there is a need for a change to a strategic approach in the way GEF resources are programmed to meet the objectives in paragraph 9. It is proposed that integrated business planning be undertaken at two levels. The first level would be for the Secretariat, in consultation with the Implementing Agencies, to prepare the GEF Business Plan, containing strategic priorities and targets, for Council's approval and guidance to the Secretariat and Implementing Agencies. The second level would be for the Implementing Agencies to prepare individual operational work plans consistent with the business plan and its strategic priorities and targets.

15. Level 1: GEF Business Plan. Specifically, it is proposed that GEF program resources to meet strategic priorities and targets. The principal shift in planning would be to strengthen the role of the Council in approving three-year rolling programmatic business plans with clear strategic priorities and targets based on the needs of the GEF as identified through portfolio gaps and innovative niches that need to be explored, guidance of the Conventions, and country policy and programming discussions coordinated by the GEF Secretariat. The Implementing Agencies would be requested to pursue country-driven opportunities for such targets and to work with countries to propose and manage projects according to the approved business needs, within an indicative envelope of resources for each agency, and consistent with GEF policies and criteria. The GEF Secretariat and Council would continue their respective roles of coordinating and approving the work programs. Programmatic indicators would be developed to track the delivery of the program strategy and ensure the quality of implementation.

16. Such a system should lead to increased overall impacts of GEF activities over time, to increased predictability of resource allocation within the system, and to better transparency in programming. It is also to be expected that this strategic programming would over time lead to reduced costs of doing business and increase the accountability of the Implementing Agencies for working with countries to develop project proposals consistent with the programmatic strategy and targets approved by the Council.

17. The Secretariat and the Implementing Agencies have begun to discuss the modalities for strategic programming in the context of the business plan. Each year the Secretariat would prepare, as it does now, the *GEF Business Plan* with a three-year planning horizon, in consultation with the Implementing Agencies. However, the business plan would be strengthened in that it would now propose overall strategic priorities and targets for the GEF to meet in implementing convention guidance and program the resources accordingly. Inputs to the business planning process would continue to include the Program Status Reviews, the Project Performance Reports / Project Implementation Reviews, the GEF Pipeline, and the results of any discussions on programmatic approaches or national priorities held with requesting countries. The business plan would be submitted for the consideration of the GEF Council.

- (a) Important aspects of this strengthened business planning approach would include:

- (b) Criteria, based on mainstreaming and integration, for agencies to program within financial envelopes and for identified strategic targets;
- (c) Strategies for meeting target objectives, indicative allocations of resources for identified priorities, and the assignment of Implementing Agencies to program such resources on the basis of country-driven proposals (or on the basis of agreed GEF business needs in case of global projects);
- (d) Country-level programming undertaken by Implementing Agencies on the basis of the country-driven proposals that are consistent with national priorities as well as the strategies, target objectives, and indicative allocations of the GEF business plan;
- (e) Prudential reservation of unprogrammed resources for GEF to maintain the flexibility to meet future convention guidance;
- (f) Criteria, based on business needs, portfolio gaps and institutional comparative advantage, for areas where specific executing agencies would be able to propose projects;
- (g) A strategy, based on a review of the GEF Pipeline, for managing the transition from the existing pipeline with its implied commitments and excess demand, to the new strategic approach;
- (h) A balance between the top-down strategic approach to defining the program areas needed to fulfill convention guidance and the bottom-up country driven approach needed for developing projects within those program areas; and
- (i) The opportunity for the Council to discuss broad policy issues.

18. Level 2: Operational Plans of the Implementing Agencies. Each IA would simultaneously develop its own individual three-year operational plan to outline:

- (a) their implementation of the approved strategic priorities and targets;
- (b) proposed deliverables;
- (c) estimated resource requirements consistent with agreed financial envelopes; and
- (d) any policy issues relating to the implementation of GEF-financed activities.

19. Iterative process. The GEF Business Plan has been produced annually with a three-year time horizon. It is proposed to retain this rolling review because the annual iterations provide an opportunity for adapting to changing circumstances. Council review and decisions would thus continue to shape medium-term planning. In addition, and in recognition of the fact that strategic programming is a major change, the business plan and its modalities will be discussed at three successive Council meetings:

- (a) December 2001. The current paper, the results of the replenishment discussions on Programming for Resources, and the Directions for the GEF Business Plan FY03-FY05 are all available for discussion;
- (b) May 2002. The proposed GEF Business Plan FY03-FY05 will be submitted to the Council for discussion and approval at this meeting;
- (c) October 2002. The proposed GEF Business Plan FY04-FY06 will be submitted for Council discussion and approval at this meeting thereby reverting to the usual practice of submitting business plans annually at the second regular Council meeting of each year.

It is envisaged that when Council approves each year's business plan, it will provide guidance on the strategic priorities and targets for the business plan period. This forward-looking guidance will assist in country-level programming of GEF resources through identified agencies.

20. Such an integrated and iterative business planning process would lead to increased predictability of resource allocation for countries and through specific agencies, and to increased transparency in programming. It would increase overall impacts of GEF activities over time and increase the accountability of the Implementing Agencies for working with countries to develop project proposals consistent with the Strategic priorities and targets approved by the Council. The proposed business planning process would provide a consultative and transparent approach to managing excess demand, which is likely to be a fundamental feature of GEF's operations. This approach would also require the Implementing Agencies to collaborate more closely on pipeline development at all levels (in at headquarters and country level). Indicative planning frameworks for resources should also not be considered entitlements or rigid allocations (periodic Council reviews of such indicative envelopes might be considered).

21. In conclusion, the recommended approach, emphasis would be placed on GEF's Council-approved Business Plan, and the overall strategic targets which are needed to meet convention guidance and national priorities in a geographically balanced way. This approach would be implemented through IA operational plans and country-driven activities programmed by the Implementing Agencies within agreed financial envelopes and entered into the Pipeline and Work Program in the established way.

II. CLARIFYING THE ROLES AND RESPONSIBILITIES OF THE GEF ENTITIES

22. The GEF is a multilateral organizational arrangement that embodies partnerships at different levels and dimensions. The Assembly and the Council review and make policies for the functioning of GEF. The implementation of decisions is facilitated by the Secretariat in partnership with the three Implementing Agencies -- UNDP, UNEP and the World Bank. The World Bank also acts as the Trustee to the GEF Trust Fund and provides administrative support to the Secretariat. A second level of partnerships are being developed with Executing Agencies under the policy of expanded

opportunities. There are also partnerships with countries and the Convention Secretariats. Another layer is with the NGO community, private sector, and other organizations participating in GEF activities.

23. The Interim Report of OPS2 has noted that, as the GEF partnership has evolved and expanded, there may be a need for clarification or re-alignment of roles and responsibilities of the partners in order to improve the efficiency and effectiveness of the GEF. In particular, it is important to consider how the GEF can continue to build on the comparative advantage of the various entities that constitute the partnership, and be more responsive to recipients and donors. The need for strategic programming further makes this clarification imperative in order to make the GEF a more effective and results-based organization.

24. The different GEF entities within the partnership collaborate to support the following functions of the GEF: (i) Relations with Conventions; (ii) Policy and Program Development and Implementation; (iii) Monitoring and Evaluation; and (iv) Communications, information dissemination, promotion of accomplishments and awareness. A clarification of roles and responsibilities is to be sought within the context of execution of these functions.

Relations with Conventions.

25. The OPS2 notes the critical role played by the GEF as a multi-convention financing facility, and concludes that the GEF has been responsive in operationalizing the Convention guidance as to the eligibility requirements, policies and programs to be followed in assisting developing countries to implement the Conventions. The Council and the Secretariat have the primary role for managing the collaboration between the GEF and the Conventions. The Council is responsible for ensuring that GEF-financed activities conform with Convention guidance, and it approves the regular reports of the GEF to the Conventions. The GEF Secretariat is responsible for coordinating with the Convention Secretariats, and for representing the GEF at meetings of the Conventions. The Secretariat proposes to the Council how the guidance from the Conventions may best be incorporated into GEF policies, programs and strategies. The Secretariat consults with the Implementing Agencies, STAP, and the appropriate Convention Secretariat in preparing such proposals and other operational guidance related to the GEF's role as financial mechanism of the Convention.

26. In its proposals for increasing the collaboration and dialogue between the country national focal points and the GEF Secretariat, OPS 2 notes the importance of promoting country coordination among the GEF focal point and the national focal points for the Conventions. The discussion below concerning country coordination elaborates on how the GEF Secretariat can assist the GEF focal points in this regard.

Policy and Program Development and Implementation.

27. This function encompasses several sub-areas such as development of operational programs, policies and criteria, country coordination, project preparation, and project implementation.

Operational programs and policies

28. As noted, the Secretariat has primary responsibility for interpreting Convention guidance and developing operational programs, policies and criteria, in consultation with the Implementing Agencies and STAP, prior to presentation for Council review and approval. Development of programs and policies are usually managed through inter-agency task forces, comprised of staff from the Secretariat and the Implementing Agencies. OPS2 notes that these arrangements are working well, and remarked that the proposed shifting of the STAP Secretariat to the UNEP regional office in Washington D.C should enhance the coordination between the GEF entities and the STAP Secretariat.

Country Coordination for Programming

29. OPS2 underscores the GEF operational principle that its projects must be country driven and based on national priorities designed to support sustainable development. OPS2 also points out that more focus needs to be placed on sustainability of project benefits. The key to achieving this is to integrate global environmental concerns in broader sectoral development plans and related environmental management priorities of countries.

30. OPS2 notes that to achieve this goal, GEF needs to help further strengthen national coordination through the operational focal points. It also notes that while each of the Implementing Agencies has important operational contacts in each government, the GEF needs a strong central focal point in each country that can ensure that GEF projects are properly coordinated within the framework of strategic programming, fall within the priorities and policies of the Government, and receive the support needed to achieve results that have positive global environmental impact. OPS2 also points out that it is necessary to develop an effective capacity at the national level for the GEF focal point to exchange information (especially program results) with the national focal points of the Conventions which the GEF is serving.

31. Strengthening national focal points and country coordination should serve three functions: (i) identification of general national priorities in countries through a multi-stakeholder process; (ii) coordination in a country programmatic exercise; and (iii) detailed country-level programming.

32. Identification of country priorities. In order to undertake the proposed strategic programming it is important for the GEF to understand priorities of recipient countries for global environmental issues to ensure that GEF-funded activities are in accordance with those priorities. Recognizing the growing mandate of the GEF, it is also important that the identification of priorities include a multi-stakeholder process, and in particular, a dialogue with the national focal points for the individual conventions served by the GEF. To do this, and in accordance with OPS2 findings, it is proposed that the Secretariat assume a proactive role in working with the country focal points to enable them to fulfill their key responsibilities in facilitating country-level coordination, elaborating country priorities, and ensuring country ownership, building upon tools already developed by the GEF, such as the Country Dialogue Workshops and the focal points newsletter. This will involve, as recommended by OPS2, the GEF Secretariat, in collaboration with the Implementing Agencies, providing much more and better focused

information services to empower the operational focal point in each country to execute its tasks and coordinating dialogue with the focal point regarding the GEF, its policies and procedures and how it may best assist countries to respond to their national priorities.

33. It is proposed to establish a country relations group and help desk within the Secretariat with staff whose main task is to ensure interaction with country focal points and to assist Council Members, as requested, in working with their constituencies. The Secretariat would also organize sub-regional and regional meetings of focal points on a rotating basis, including training for improving the technical capacity of focal points. The information gathered from these consultations and dialogues will be used as a benchmark of national priorities in considerations of country programming.

34. In addition, given the positive response to the Country Dialogue workshops received from OPS2 and other quarters, it is proposed that the Secretariat, in collaboration with the Implementing Agencies, hold regular country dialogue workshops on a rotating basis.

35. Programmatic Approach. The GEF Programmatic Approach, undertaken in partnership with the country, and international partners, would provide phased and sustained support for the implementation of a multi-year (medium to long-term) program that better integrates global environmental objectives into national strategies and plans (e.g. biodiversity strategy, sustainable energy plan, or a strategic action program for international waters). OPS2 supports the GEF Strategy of piloting the programmatic approach in a few selected countries, focusing on those where there is a significant portfolio and/or pipeline of GEF-funded activities. An important point that OPS2 makes in this regard is that it should not be pursued on a piece-meal basis by each Implementing Agency, nor by the GEF Secretariat alone, but should involve all key GEF partners in a joint exercise with the national operational focal point and other key stakeholders in the country and coordinated by the GEF Secretariat.

36. Since a programmatic approach would be multi-year, involving multiple sectors, multiple agencies, and multiple stakeholders, with phased commitments of resources from all the partners involved, it is important, as OPS2 confirms, that the Secretariat play a pivotal coordinating role in the programmatic dialogue with the countries, in collaboration with the Implementing Agencies. The GEF Secretariat would have an important coordination and policy oversight function in developing GEF programmatic approaches and in proposing commitments on behalf of the GEF, while the Implementing Agencies would, according to their comparative advantage and country experience, be requested to further elaborate on the dialogue with countries consistent with GEF guidance. Executing Agencies would be involved, as necessary, for identified business needs on basis of comparative advantage and experience. The programmatic approach should work with and support the mainstreaming actions and development policy dialogue that the Implementing Agencies have with their clients within the context of their individual country-programming exercises. It would also be placed in the context of broader national and sectoral development frameworks.

37. The results of establishing such programmatic frameworks in selected countries will contribute to the strategic business planning referred to the Part I of this note. The Implementing Agencies will have

primary responsibility for discussions with the country on the development of individual project proposals and other means for implementing the agreed program.

38. Detailed Country-level programming. Implementing Agencies should continue to have primary responsibility for detailed programming at the country-level leading to development of individual project proposals and other means for implementing the agreed program within the context of an agreed programmatic approach or projects that fit into national priorities. The Implementing Agencies should continue to develop the details of the GEF program within the context of their country assistance frameworks and sector strategies, which would enhance mainstreaming of global environmental issues within their respective agencies.

39. Executing Agencies should be called upon to provide services according to the additional business needs of the strategic business plan, taking into account their comparative advantage and experience. When working to develop and manage GEF financed projects, the Executing Agencies will be accountable to the GEF Council and work directly with the Secretariat.

Concept Development, Project Preparation and Implementation

40. The Implementing Agencies and the Executing Agencies prepare and implement projects, while the Secretariat reviews the concepts prior to entry into the pipeline and reviews project proposals prior to submission to the Council for entry into the work program and approval. OPS2 noted the commitment and motivation among staff in the Implementing Agencies in developing projects to meet GEF goals and objectives.

41. It is necessary to distinguish between the relative roles and responsibilities of the Implementing Agencies and those Executing Agencies covered by the Expanded Opportunities Policy. The following directions are proposed in this regard:

- (a) The Implementing Agencies should continue to contribute to the development and review of GEF operational policy issues and partner with strategic programming by the Secretariat, in addition to the project development and implementation roles that they would share with the Executing Agencies. The Implementing Agencies (and appropriate Executing Agencies) would also partner with the Secretariat in developing programmatic approaches in certain countries, and collaborating with the Secretariat in various corporate GEF programs (such as Country Dialogue Workshops and Focal Point Support at the country level)
- (b) An articulation of the areas of particular emphasis in the GEF for each Executing Agency. The scope of the Executing Agencies' GEF pipelines and portfolios would be clearly defined by Council, in order to meet specific business needs of the GEF agreed upon through the strategic business plan process, and based on the comparative

advantage of the agencies in areas where expertise and capacities may be lacking within the existing Implementing Agencies.

- (c) A clarification by the Trustee of the financial accountability of the Executing Agencies to ensure that GEF funds accessed directly by the Executing Agencies are used in accordance with the Instrument and the decisions of the Council.

42. OPS2 has recommended that while in general the current roles and responsibilities during the project cycle should be continued, the Secretariat should have a role in monitoring main strategic and programmatic goals during project implementation (see section below on Monitoring and Evaluation) so as to “provide opportunities for close partnerships in the evaluation of projects, to allow a collaborative approach to the difficult task of gaining knowledge, sharing experience, and promoting learning between all the partners of the GEF.” At the same time, OPS2 concluded that there is scope for the Secretariat to reduce its involvement in detailed project reviews prior to work program entry and final project approval.

43. Under these principles, the Secretariat review during project development should focus on strategic matters relevant to the GEF, and the Implementing Agencies would be responsible for ensuring that project proposals meet GEF review criteria.

44. With stronger GEF strategic planning and programming systems, it would be more cost-effective for the Secretariat to focus its reviews on project concepts prior to pipeline entry for consistency with the Business Plan or agreed programmatic priorities, objectives and targets. As part of the creative partnership approach, responsibility for review of project proposal prior to inclusion in the GEF work program should be shifted to the Implementing Agencies with the establishment of a consistent way of recording their certification that projects submitted for work programs meet the agreed project review criteria of the GEF. The Secretariat can then reprogram capacity to become more involved in supporting partnership tasks during project implementation, particularly during selective mid-term reviews and evaluations. These ideas are consistent with agreement reached during a GEF senior management retreat of the GEF Secretariat and the Implementing Agencies held in June 2000.

Monitoring and Evaluation

45. OPS2 noted the centrality of Monitoring and Evaluation towards enhancing the quality and results-based culture at the GEF. It noted that the M&E function needs to strengthen its dissemination function and institutional linkages in order to promote learning.

46. The GEF monitoring and evaluation team at the Secretariat operates principally at the program scale but uses selected project-scale evaluations as case studies to inform program evaluations. The Implementing and Executing Agencies are responsible for project level monitoring and evaluation. Following recommendations of OPS2 it is proposed that the Monitoring and Evaluation team at Secretariat, including other staff from the Secretariat, should also have a strategic role during project

implementation by participating with the Implementing/Executing Agencies in mid-term reviews and terminal evaluations of selected projects. Secretariat staff participating in such reviews would focus on issues related to the GEF project review criteria and the projects' global environmental objectives. However, Secretariat staff would not be part of the task team with operational responsibility for the project, thereby respecting the primary role of the Implementing and Executing Agencies in project management. The GEF M&E team is also working to strengthen its working relationship with the Implementing Agencies' evaluation departments. Such arrangements, as OPS2 notes, "will have a positive impact on the professional capacities of the GEF Secretariat staff in interpreting programming criteria and providing strategic guidance on project concepts."

47. OPS2 has also suggested that country operational focal points provide participatory inputs to the IA reporting to the M&E team on the annual project implementation review exercise.

Communications, Information Dissemination, Promotion of Accomplishments and General Awareness

48. The GEF Secretariat focuses on corporate-level awareness raising and uses as its fora the Conferences of the Parties to the global environmental agreements, international meetings, speeches by the CEO, press releases and publications documenting GEF results and impacts. The Implementing Agencies focus on outreach and information at the project-level. However, OPS2 visits have revealed that the Implementing Agencies are often remiss in giving credit to the GEF for operational achievements. As a result there is poor visibility of the GEF, even on projects fully funded by it.

49. It is not easy to understand the GEF's goals, objectives, and operational modalities, particularly with respect to its important emphasis on global environmental benefits and incremental cost financing. As the scope of GEF expands, it is imperative that its main objectives be better understood in government and in civil society – particularly among the NGOs and the private sector. The GEF needs to become more adept at spreading its messages in easily understandable information products well beyond its present reliance on website services. To ensure a coordinated information and outreach strategy, following OPS2 suggestion, the Secretariat should, in consultation with the Implementing Agencies, develop and implement a comprehensive information and outreach strategy. In addition, a clear understanding needs to be developed between the different entities of the GEF as to how information about global environmental issues and the GEF will be disseminated during project development and implementation. This could be achieved through the development of a clear policy, endorsed by the CEO and heads of the Implementing Agencies, for use in project documents, outreach material and various publications.

50. The Secretariat will continue to take the primary responsibility to develop institution-wide partnerships and relationships with the NGO community, the private sector, and other actors in the international and multilateral system, as appropriate.

III. THE NEED TO SPECIFY THE AUTONOMOUS INSTITUTIONAL AUTHORITY OF THE GEF

GEF Instrument and its intention to establish an autonomous institutional structure

51. The GEF was restructured in 1994 when Governments negotiated the *Instrument for the Establishment of the Restructured GEF*. The restructuring took place in a manner which sought to ensure the institutional autonomy and efficiency of the GEF, taking into account the comparative advantages of the institutions selected to assist GEF in carrying out its objectives. The restructuring was achieved without setting up a new institution with formal intergovernmental status.

52. Rather, the Instrument provides for specific roles for the GEF Assembly, GEF Council, CEO, and Secretariat, as well as for the Implementing Agencies and Trustee. In addition, the inter-relationship of the entities was described.

53. The inter-relationship set forth in the Instrument provides for a partnership amongst a broad range of actors (the Implementing Agencies, Conventions, executing agencies, other international environmental bodies) with the Assembly, Council and Secretariat as autonomous bodies at its center. These latter three bodies, created by the Instrument, are key to ensure that the GEF fulfills its goals and objectives. The autonomous arrangements provided for in the Instrument are considered crucial to the effectiveness of the GEF.

54. As provided in the Instrument, the Assembly is an autonomous structure. It is responsible for reviewing the general policies of the GEF, for reviewing and evaluating the operation of the Facility, and for approving on the basis of consensus, amendments to the Instrument on the basis of recommendations by the Council.”

55. The Council is also an autonomous body on which all member states are represented through a system of constituency representation. The Council is provided with explicit decision making responsibilities in the Instrument (paragraph 20) aimed at managing and overseeing the fulfillment of the GEF’s mandate as well as authority to “exercise such other operational functions as may be appropriate to fulfill the purposes of the Facility.” Within the context of GEF activities, the CEO, the Implementing Agencies, and the Trustee are accountable to the Council.

56. The Secretariat services and reports to the Assembly and the Council. One of its principal responsibilities is to implement effectively the decisions of the Assembly and the Council. The GEF Secretariat is supported administratively by the World Bank and operates in a functionally independent manner. The World Bank’s privileges and immunities apply to GEF staff because all GEF staff are Bank staff, appointed pursuant to appointment letters which accord them all the rights, obligations, privileges and immunities of Bank staff.

57. The Secretariat is headed by the CEO/Chairperson of the Facility. The CEO/Chairperson of the Facility is appointed by the Council on the joint recommendation of the Implementing Agencies, and he/she reports to the Council. The Instrument provides that the CEO is responsible for the organization,

appointment and dismissal of Secretariat staff. Explicit functions of the Secretariat are listed in paragraph 21 of the Instrument, and in addition there is provision for “performing any other functions assigned by the Council.”

58. The Instrument provides the GEF institutional structure with authority to act which includes:

- (a) authority at the internal level of the GEF for purposes of managing its decision making process. Such authority includes adoption of the rules of procedure for the Council and Assembly, the adoption of the corporate budget, and the appointment and dismissal of staff;
- (b) authority to formulate policy and substantive obligations concerning the use of GEF resources and the responsibility of the Council for responding to the guidance of Conventions concerning policies, program priorities and eligibility criteria;
- (c) authority to supervise the implementation of decisions, including the accountability of the Implementing Agencies to the Council for their GEF-financed activities and the Council’s responsibility to monitor and evaluate progress in the implementation of the work program;
- (d) authority to interact with others in the international system, including, where necessary, the authority to enter into arrangements with other organizations, such as the conventions and executing agencies.

59. The Council is assigned responsibility for instructing the Secretariat in substantive matters, as well as in procedural questions (preparations of meeting, approval of policies and projects, contact with other international organizations and conventions).

60. The World Bank serves as the Trustee of the GEF Trust Fund, and in this capacity, it assumes fiduciary responsibilities for management of the assets and receipts which constitute the Fund as provided in Annex B of the Instrument. The privileges and immunities accorded to the World Bank under its Articles of Agreement apply to the property, assets, archives, income, operations and transactions of the GEF Trust Fund because the Bank acts as Trustee of such fund.

61. Experience with the operations of the GEF since the adoption of the Instrument in 1994, including the first evaluation and OPS2, have confirmed that the operations of the GEF continue to improve. Nevertheless, as noted in the previous sections of this note, there is agreement that there are areas where greater clarification in the roles and authority of the different partners in the GEF may help the GEF to better achieve its objectives.

62. While many, if not all, of the functions assumed by the Assembly, Council and Secretariat are either explicitly provided for or implied by the provisions of the Instrument, there have been instances in which issues have arisen as to the GEF Secretariat’s authority to act on behalf of the Council and the GEF. In addition, arrangements between the GEF Secretariat and the Implementing Agencies or

Trustee have by-in-large been developed through practice and difficulties have sometimes ensued in their implementation. Therefore, formalizing these arrangements would help bring greater clarity, transparency, accountability and predictability to the efficient operations of the GEF.

63. There is agreement that there are areas where clarity in the framework may help the GEF to better achieve its objectives. These actions include the following:

- (a) Strengthening the coordinating and collaborative role of the GEF Secretariat vis-à-vis the Convention Secretariats as the GEF becomes the financial mechanism for new conventions and protocols. This could help ensure a direct relationship between the Conventions and the GEF, including conclusion of arrangements between their Secretariats and help clarify the autonomous role of the GEF and the GEF Secretariat.
- (b) Assisting the GEF focal points in the countries to become more effective and exercising new functions to support the focal points and to ensure that GEF projects are consistent with national priorities and the strategic business plan.
- (c) Providing a lead role in creating an enabling environment leading to increased private sector partnerships
- (d) Providing a greater focus to corporate level awareness raising
- (e) Becoming a more active partner with the Implementing Agencies in the evaluation of projects, focusing on strategic matters relevant to the GEF
- (f) Entering into agreements with the Implementing and executing agencies to specify the set of tasks to be performed with the resources provided through the fee system for project implementation. The fee system should be strengthened to provide for greater accountability, transparency, and competition.² This could also help clarify the roles of the Implementing Agencies, Executing Agencies, and Trustee so as to ensure decision making at the appropriate governance level of the GEF, appropriate accountability and consistency in procedures
- (g) Strengthening the GEF monitoring and evaluation function to improve its information dissemination and institutional linkages with the Implementing Agencies and operational focal points with a view to strengthening strategic portfolio management and program evaluation.

² The Council has before it for approval a proposal for a review of the fee-based system (Document GEF/C.18/9). The findings and recommendations of the review and related decisions of the Council will be taken into account as appropriate in any proposals to strengthen the fee-based system.

- (h) Clarifying the role of the CEO in relation to appointment and dismissal of staff (including consultants).

64. While some of these actions may be addressed through administrative arrangements with the Implementing Agencies and other mechanisms, some, in particular, entering into agreements and arrangements, are of such a nature that they may require amendment to the GEF Instrument.

65. Two options for dealing with the above mentioned issues are:

- (a) Utilizing and enhancing administrative arrangements between the GEF Secretariat and the World Bank, including instruments of delegation of authority, to ensure that there is complete clarity enabling the GEF to more efficiently carry out the arrangements referred to in the Instrument.

and/or

- (b) Amendment of the Instrument: Amendments to paragraph 21 of the Instrument to be proposed in accordance with paragraph 34³ to specify the authority of the Secretariat, and any necessary corresponding changes to other paragraphs of the Instrument.⁴

66. The GEF Secretariat, in consultation with the Implementing Agencies, will prepare proposals for review by the Council at its meeting in May 2002, taking into consideration Council's deliberations and determinations with respect to this paper and OPS2.

Implications of proposed changes

67. The direct implications and costs of clarifying the authority of the Council and the Secretariat to exercise the independent authority as described above should be minimal and will rely in large part on agreement being reached between the World Bank and the GEF Secretariat based on the administrative arrangements and/or amendments to the Instrument. Transaction costs for implementing these actions are likely to be low, although some staff costs can be expected in the process of defining clearly the terms of the GEF's authority (particularly the rules and regulations to be followed by the Bank's Human Resources and General Services in dealing with the GEF).

³ Amendment of the Instrument would need to follow the procedures provided in the Instrument which may be summarized as follows: a recommendation of the Council to the Assembly specifying the proposed amendments to the Instrument (taking into account the views of the Implementing Agencies and the Trustee), approval of the amendments by consensus of the Assembly, adoption of the amendments by the Implementing Agencies and the Trustee in accordance with their respective rules and procedural requirements.

⁴ For example, Paragraph 7 of Annex B of the Instrument provides, inter alia, that the Trustee, upon the request of the Council, will, for the purposes of paragraph 27 of the Instrument, formalize the arrangements or agreements that have been considered and approved by the Council with the Conferences of the Parties of the conventions referred to in paragraph 6 of the Instrument. If the Secretariat is requested to assume this function through amendment of paragraph 21, it would be necessary to delete this sentence from Annex B.

ANNEX A: LETTER FROM THE ADMINISTRATOR OF THE UNITED NATIONS DEVELOPMENT
PROGRAMME

14 November 2001

Dr. Mohamed El-Ashry
Chairman and CEO
Global Environment Facility
Washington, D.C

Dear Mohamed,

Yesterday morning's videoconference between Klaus, Shengman, you and myself on the paper "Overall Structure, Processes and Procedures of the GEF" was both informative and productive. We appreciate that the GEF Secretariat had reflected our initial comments in the previous draft. However, as both Klaus and I noted, since revisions were being made rapidly, we needed to have our staff look at the final draft to ensure that our views were clearly understood.

Your final draft was received yesterday afternoon and has been reviewed. We were pleased to find that several of our concerns have been met. There are, however, a few key issues that we need to raise. We propose the following reformulation to the paragraphs below:

Para 6

The reference to the Africa regional meeting in preparation of WSSD should be deleted, since our information is that the GEF was not specifically criticized in their report.

Para 9

In Section 9(a), in the first sentence mention should also be made that GEF is the financial mechanism for Eastern Europe and CIS countries under the Montreal Protocol on the protection of the global ozone layer.

Para 13:

- In the introductory sentence, change the words "*meeting all the objectives*" to "*meeting some of the objectives*".
- Deletion of sub-para 13(b) since it alludes to issues that were not necessarily expected to be addressed by the current business plan process, and since the new strategic approach proposed is not specific on how these issues will be addressed.

Para 19 (moving the second part of the para into the chapeau):

19. Iterative process. The GEF Business Plan has been produced annually with a three-year time horizon. It is proposed to retain this rolling review because the annual iterations provide an opportunity for adapting to changing circumstances. Council review and decisions would thus continue

to shape medium-term planning. *It is envisaged that when Council approves each year's business plan, it will provide guidance on the strategic priorities and targets for the business plan period. This forward-looking guidance will assist in country-level programming of GEF resources through identified agencies.* In addition, and in recognition of the fact that strategic programming is a major change, the business plan and its modalities will be discussed at three successive Council meetings:

- (a) December 2001. The current paper, the results of the replenishment discussions on *Programming for Resources*, and the *Directions for the GEF Business Plan FY03-FY05* are all available for discussion;
- (b) May 2002. The proposed *GEF Business Plan FY03-FY05* will be submitted to the Council for discussion and approval at this meeting;
- (c) October 2002. The proposed *GEF Business Plan FY04-FY06* will be submitted for Council discussion and approval at this meeting thereby reverting to the usual practice of submitting business plans annually at the second regular Council meeting of each year.

Paras 32-33: proposed revised text

“32. *Identification of country priorities.* In order to undertake the proposed strategic programming, it is important for the GEF to understand the priorities of recipient countries for global environmental issues and GEF assistance. National processes for determining such priorities and for integrating such priorities into sectoral development planning need to be strengthened through multi-stakeholder involvement, with GEF focal points playing an important role. National GEF focal points need to work closely with convention focal points and to coordinate with national and sectoral development agencies to ensure that the views of broader civil society are taken into account so as to secure full country ownership. The Secretariat, working with the Implementing Agencies, has a clear role in coordinating GEF assistance for this purpose. Consistent with OPS2 findings, such assistance should build upon tools already developed by the GEF, such as the Country Dialogue Workshops, the Focal Point Support Program, and the focal points newsletter. The focus should concentrate on better and more effective information services to empower the operational focal point in each country to execute its tasks and maintain a dialogue with the Secretariat in partnership with the IAs and the focal point regarding the GEF, its policies and procedures and how GEF may best assist countries to respond to their national priorities, recognizing of course that the detailed programming of such responses is the responsibility of the Implementing Agencies as part of their regular country assistance dialogue.

33. *To help address this challenge more effectively, it is proposed that a small country relations group be established within the Secretariat to coordinate and collaborate with the IAs in ongoing and planned activities to support the focal points as described above. The Secretariat in cooperation with the IAs would also organize sub-regional and regional meetings of focal*

points on a rotating basis, including training for improving the technical capacity of focal points. The information gathered from these consultations and dialogues would contribute to the deliberations on national priority setting and to country programming.”

Paras 35-36: proposed revised text

35. *“Programmatic Approach. The GEF Programmatic Approach, undertaken in partnership with country, and international partners, would provide phased and sustained support for the implementation of a multi-year (medium to long-term) program that better integrates global environmental objectives into national strategies and plans (e.g., biodiversity strategy, sustainable energy plan, or a strategic action program for international waters). The programmatic approach should work with and support the mainstreaming actions and development policy dialogue that the Implementing Agencies have with their clients within the context of their individual country-programming exercises, recognizing broader national and sectoral development frameworks. OPS2 supports the GEF Strategy of piloting the programmatic approach in a few selected countries, focusing on those where there are significant portfolio and/or pipeline of GEF funded activities.”*

36. *“Given the nature of the programmatic approach, it is essential that the ongoing or planned dialogues between the IAs (and where appropriate EAs) and country institutions in areas relevant to the envisaged programmatic initiative are fully coordinated. As pointed out by OPS2, the Secretariat has a lead role to play in safeguarding such coordination and in providing policy oversight in the development of individual GEF programmatic approaches, including advising on appropriate levels of financial commitments on behalf of the GEF. The IAs, according to their comparative advantage and status and nature of ongoing country dialogues, would be expected to carry out the dialogue with the client country on individual GEF programmatic initiatives, consistent with GEF policy guidance and agreements on coordination requirements within the GEF partnership. The Executing Agencies would be involved, as necessary, for identified business needs on basis of comparative advantage and experience.”*

Para 50

Since paras 48 and 49 already deal with communication, dissemination of information and general awareness, there is no need for its repetition in para 50, which can therefore be deleted.

Paras 64-65: proposed revised text

64. *“In order to achieve these actions, it is the intent of the IAs and the GEF Secretariat to fully explore administrative means and arrangements as a solution. If administrative means cannot serve to adequately achieve the necessary actions, a suggested next step can be to consider amendment to the GEF Instrument.”*

65. Thus, the two possible options that may be utilized in the future to achieve the goals for a more efficient, effective GEF are the following:

- (a) Utilizing and enhancing administrative arrangements between the GEF Secretariat and the World Bank, including instruments of delegation of authority, *including delegation from the Bank as Trustee to the GEF Secretariat* to ensure that there is complete clarity enabling the GEF to more efficiently carry out the arrangements referred to in the Instrument"

or, *if not adequately addressed through administrative means,*

- (b) [as is].

New para 67

In the event a decision is taken to amend the GEF Instrument, the difference between technical amendments of the Instrument (such as adding POPs) should be differentiated from amendments that deal with management structure. The former are relatively simple and non-controversial, the latter could open up discussion on a host of issues where certain countries feel they would like to negotiate a "better deal". In the section titled "*Implication of proposed changes*", it would be prudent to highlight some of these issues.

General comment

A general comment is we still feel that the significant accomplishments of the partnership have not yet been sufficiently featured in this Note and without getting into detailed editing at this stage, we recommend the following changes in specific paragraphs:

- In para 4, begin the second sentence with the following: "*Enhancing the quality, efficiency and effectiveness of the GEF Partnership is needed to address a number of the issues raised....*"
- In para 9(d), start the third sentence with: "*The Partnership of the three IAs (supplemented by the seven Executing Agencies with specialized capacities) need....*"
- In para 39, add at the end of the para the words "*in coordination with the IAs*".

With the incorporation of the changes recommended above, the paper would have UNDP's support since it would present a range of options, which could assist the GEF Council in its deliberations.

I believe that this interactive process has been extremely beneficial to helping develop a sound and workable proposal.

Warm regards.

Yours sincerely,

Mark Malloch-Brown
Administrator, UNDP

A4

cc: Mr. Klaus Töpfer, Executive Director, UNEP
Mr. Shengman Zhang, Managing Director, World Bank

ANNEX B: LETTER AND ATTACHMENT FROM THE EXECUTIVE DIRECTOR OF THE UNITED NATIONS
ENVIRONMENT PROGRAMME



United Nations Environment Programme

برنامج الأمم المتحدة للبيئة • 联合国环境规划署

PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE
ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

Our Reference: GEF

14 November 2001

Dear Mohammed,

The Note on the structure of the GEF is one of the most important policy documents since the establishment in 1994 of the restructured GEF.

The videoconference meetings of the Heads of Agencies held on 13 November 2001, was useful. As indicated in my letter sent to you the same day, such a meeting will need to be convened on a more regular basis.

The revised draft is indeed an improved version. However, I am afraid that my concerns, as expressed during the meeting of the videoconference have not been incorporated. I would like therefore to share with you, once again, my concerns.

Let me first of all, reiterate my full commitment to work closely with you and the other Heads of Agencies to equip the GEF to raise the challenges of its new phase and to be more responsive to recipient needs as well as to donors' expectations.

For the reason indicated to you, I am not in a position, without the concurrence of the UNEP governing bodies to agree with the option of the revision of the Instrument contained in paragraphs 64, 65 and 67 on issues related to the role of the Secretariat.

The legal authority for the GEF Secretariat to act on behalf of the GEF family can be addressed through appropriate delegation of authority from the World Bank to the CEO without amending the Instrument. As indicated by Mark Mallock Brown during the videoconference, similar delegation of authority is a common feature in the United Nations, including between UNEP and its administered conventions.

I have been very pleased to note that significant progress has been achieved on this issue lately, between you and senior management in the Bank. I will encourage you to continue your discussion with the World Bank in order to find a mutually agreed solution as soon as possible.

I will suggest that the outcomes of these discussions be reviewed at our next Heads of Agencies meeting that we have agreed to convene in Washington during the second half of January 2002. We will then assess collectively what the best course of action may be suggested to the Council for the May 2002 meeting.

Accordingly, I will suggest that the option of revising the Instrument be deleted. The revision of the Instrument during the second Assembly in 2002 should be limited to the incorporation of POPs and hopefully Land Degradation as a new focal area of the GEF.

If this proposal is not agreeable, I will suggest that the cover note indicates that the Executive Director of UNEP is not in a position to support such an option as he is of the view that the issues identified in Section III can be addressed through appropriate delegation of authority between the World Bank and the CEO. The Executive Director of UNEP indicated that the option of amending the Instrument will require prior approval of UNEP's Governing Council / Global Ministerial Environmental Forum. The next Governing Council meeting / GMEF to be held in Cartagena, Colombia on 11 – 13 February 2002 will provide the first opportunity to seek the advice of UNEP's state members that have endorsed the current Instrument in June 1994.

As indicated to you, I believe that the Overall Performance Study II has done a very good job. Their recommendations are interrelated and should be approached in a comprehensive manner.

The OPS II has documented that the partnership between the Bretton Woods institutions and the UN is key to the success of the GEF and its potential has yet to be fully exploited.

The OPS II team recommended strengthening the role of the GEF Secretariat as well as giving it legal authority in the context of the partnership between the three Implementing Agencies.

The overwhelming majority of the participants at the Edinburgh meeting on replenishment strongly advocated the strengthening of the partnership between the three Implementing Agencies.

Accordingly any adjustment to the role of the Secretariat arising from the new developments in the GEF and the challenges of its next phase should be approached in the context of the current GEF partnership between the three Implementing Agencies. Some of the paragraphs of the note regarding the suggested role of the GEF Secretariat related to Business planning, country coordination for programming and the programmatic approach would need to be redrafted accordingly. This applies also to the suggested role of the GEF Secretariat with NGOs and the private sector contained in paragraph 50. Such a role should take into account the role of the Implementing Agencies as provided in Article 22 of the Instrument.

The suggested role for the GEF Secretariat on issues related to coordination between the GEF operational focal points and the national focal points of global environmental conventions also raises concerns.

The revised note also suggests new arrangements with the Implementing Agencies. Instead of advocating new modalities, it may be necessary to fully implement the provisions of the existing Instrument.

As you are aware, Article 22 of the Instrument calls for an interagency agreement to be concluded by the three Implementing Agencies on the principles of cooperation set forth in Annex D. It seems to me that more than seven years after the adoption of the Instrument, the time has come to consider preparing such an agreement.

Regarding country priorities, it is important to ensure that GEF interventions are in line with the priorities of countries as reflected in their national strategies and action plans prepared or under active preparation through GEF support for assisting countries to implement their commitments under the GEF related conventions. The country priorities as identified by countries through their relevant environmental policy documents should drive GEF business and strategic planning. No reference is made in this draft to such major policy documents financed by the GEF.

We need as a family to provide adequate and urgent responses to country concerns regarding the length and complexity of, and country drivenness of, GEF operations. Therefore an agency driven approach should be avoided in favour of the country-driven and bottom-up approach. It is our understanding that regional, sub-regional and global projects are also country-driven. The ecosystem approach as well as transboundary collaboration is key to achieving the objectives of the GEF as well as its global conventions such as the Convention on Biological Diversity.

The business planning is only one tool to achieve strategic impact. One additional way to ensure that the GEF responds to country priorities is to review the global policy documents of the GEF as well as the GEF *Operational Programs*. The ten *Operational Programs* of the GEF were adopted in 1996 before receiving the appropriate guidance from the COPs. Recently 4 additional operational programs have been added. There is a need to review this major policy document guiding the operations of the GEF in order to promote an integrated approach, which will take into account the guidance of the COPs as well as the evolution of the GEF. The document is silent on this important issue.

Regardless of the outcomes of the third replenishment of the GEF, the financial resources will not match the demands. There will be a huge financial gap between the level of financial resources available and the increased demands on the GEF arising from new areas of intervention and increased requests from countries. This gap will continue to be, in the foreseeable future, a permanent feature of the GEF.

This is a major development that requires the GEF family to review the way that we do business. In line with my comments, you will find attached concrete amendments to the suggested text.

Accordingly, there is a need to establish an inter-agency task force to review the current pipeline with a view of contributing to strategic input.

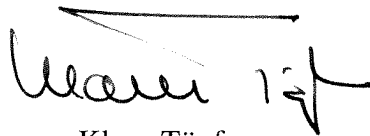
This also requires that any proposal on the structures of the GEF should take into account this new development and avoid diverting scarce financial resources from operations to support bureaucratic growth and ignoring existing capacity available with the GEF family.

Let us work together to ensure a strong replenishment which is a prerequisite for a coherent structure of the GEF in accordance with its Instrument as well as the new evolution of the GEF.

As indicated to you, there is a close relation between the on-going negotiation on International Environmental Governance carried out under UNEP's Ministerial Committee which will culminate at the World Summit on Sustainable Development and the discussion on the structure of the GEF.

Let us also work together to ensure that these two processes are mutually supportive.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Klaus Töpfer', with a horizontal line above it.

Klaus Töpfer
Executive Director

Cc. Mr. James Wolfensohn

Fax: 1-202-477-6391

Mr. Shengman Zhang

Fax: 1-202-522-1640

Mr. Mark Mallock Brown

Fax: 1-212-9065-778



Global Environment Facility

GEF/C.18/8

November 13, 2001

GEF Council
December 5-7, 2001

DRAFT

**OVERALL STRUCTURE, PROCESSES AND
PROCEDURES OF THE GEF**

INTRODUCTION

1. Ten years of experience since the establishment of the pilot phase of the GEF together with the Third Replenishment of the GEF Trust Fund and the convening of the Second Assembly make it opportune to assess GEF's impacts and results, strengths and weaknesses. With this in mind, the Council commissioned the Second Overall Performance Study of the GEF (OPS2), an independent evaluation of the GEF. OPS2 includes the findings, conclusions, and recommendations of the independent evaluation team. The first draft of the study's completed report was circulated to the GEF family at the beginning of November and will be discussed at the Council Meeting in December 2001.
2. In anticipation of the draft report of OPS2, the Council at its meeting in May 2001 requested "The Secretariat to prepare a paper for consideration at the next Council meeting, as well as at the next replenishment meeting, on the overall structure, processes and procedures of the GEF, taking into consideration the findings and conclusions of OPS2."
3. This note has been prepared in consultation with the Implementing Agencies and takes into consideration the finding and conclusions of OPS2. It also takes into account the discussions at the replenishment meeting held in Edinburgh, Scotland, in October 2001 on the "Initial Note by the CEO on GEF Structure, Processes and Procedures" and additional input to the Secretariat by the World Bank and the other Implementing Agencies on the initial note.
4. Over the last decade, the GEF, with the concerted efforts of its Implementing Agencies, has made significant impacts in the improvement of the global environment as documented in OPS2. But a number of concerns have also been raised (responsiveness to its clients, operational delays, confusion over roles, cost-effectiveness, etc.), and new developments have arisen. These new developments include:
 - (a) A broader mandate for the GEF emanating from the guidance of the Conventions;
 - (b) New conventions and protocols have been concluded addressing global environmental concerns which have requested the GEF to serve as their financial mechanism (POPs) or financially promote their objectives (CCD);
 - (c) Establishment of new convention funds that the GEF is to manage; and
 - (d) Significant growth in both the absorptive capacity of the countries and the delivery capacity of the Implementing Agencies and executing agencies.
5. With a decade of operational and institutional experience, and recognizing the ongoing concerns and new challenges facing the GEF, it is timely to consider the next phase in the Facility's institutional evolution as it enters the second decade of its existence.

6. It is worth noting that while OPS2 generally concludes that “the GEF has been able to produce very significant project results aimed at improving global environmental problems” and that “the GEF is moving in the right direction and therefore deserves continuing support for its operational programs and activities”, some of the findings of OPS2 echo concerns regarding GEF responsiveness, slow implementation and disbursement, cost effectiveness and country drivenness raised by the GEF Council and developing countries at the Conferences of the Parties to the Conventions and in other fora. Such concerns continue to be evident in recent decisions and declarations such as those of the seventh session of the Conference of the Parties to the UNFCCC in November as well as the African Regional Preparatory Meeting for WSSD in October.

7. The scope, conclusions and recommendations of OPS2 are broad and overarching, and they will require detailed consideration by the Council with a view to preparing a comprehensive response strategy over the next few months for review by the GEF Assembly. It is further recognized that the GEF Assembly, which will be meeting in October 2002, has the authority, on the recommendation of the Council, to approve structural changes to the GEF and amendments to the Instrument.⁵ This paper therefore is focused on those issues arising from OPS2 that may require such action by the Assembly. It is expected that Council’s conclusions on any of these proposals will be integrated into its comprehensive response to the OPS2 recommendations.

8. The note focuses on three areas in which the present institutional and management arrangements of the GEF may usefully evolve so as to improve the effectiveness, responsiveness, and efficiency of the GEF. Part I of the note describes a new approach to strategic business planning aimed at maximizing the impacts and results achieved through GEF-financed activities in light of Convention guidance, country priorities, and available resources while providing greater predictability and transparency to the allocation of resources. Part II addresses the clarification of the roles of the respective partners in the GEF system with a view to streamlining processes and enhancing accountability, transparency and responsibility. Part III discusses the need to clearly specify the autonomous institutional authority of the GEF and the independent authority of the GEF Council and Secretariat to act on behalf of the GEF.

I. STRENGTHENED OPERATIONAL ARRANGEMENTS -- STRATEGIC PROGRAMMING FOR MAXIMIZING RESULTS AND IMPACTS

9. The ability to program effectively is vital to GEF.

- (a) **Strategic Targets.** GEF is the financial mechanism of the Convention on Biological Diversity and the United Nations Convention on Climate Change, and is also expected to assume this role for the Stockholm Convention on Persistent Organic Pollutants.

⁵ Paragraph 34 of the Instrument provides: “Amendment or termination of the present Instrument may be approved by consensus by the Assembly upon the recommendation of the Council, after taking into account the views of the Implementing Agencies and the Trustee, and shall become effective after adoption by the Implementing Agencies and Trustee in accordance with their respective rules and procedural requirement. This paragraph shall apply to the amendment of any annex to this Instrument unless the annex concerned provides otherwise.”

GEF's ability to meet the requirements of these conventions – and indeed to provide effective support on any other global environmental issues such as land degradation – clearly depends on its ability to program financial resources to maximize and sustain the results and impacts desired. In particular, GEF needs to be strategic and goal oriented while remaining flexible enough to program resources to meet the evolving needs of those conventions and to program for synergies across the various conventions it serves. Also, as a financial mechanism, GEF is accountable to its donors and other stakeholders to define in advance the outcomes it expects to achieve through programming the financial resources that are mobilized for such purposes.

- (b) **Geographical Balance and National Priorities.** At the global level, GEF is expected to program to ensure adequate geographical balance in order to address environmental issues that are global in nature and to be responsive to a country membership that is universally open. At the country **and regional** levels, GEF is expected to respond to national priorities, **taking into account COP guidance.**
- (c) **Operational Efficiency.** GEF should program resources in a predictable way to ensure effective operational planning and maximize the possibilities of mainstreaming operations, and to match balanced Work Programs against available resources.
- (d) **Catalytic Action and Structured Learning.** As the catalyst for global environmental action, GEF must program and coordinate different types of action -- in the proper sequence and through a variety of agencies, including through inter-agency collaboration. The programmed actions need to be sequenced first to demonstrate innovative approaches, then to transfer successful experience, and subsequently to facilitate replication by others. The partner agencies (principally the three Implementing Agencies, but supplemented by seven executing agencies with unique capacities) need to play different but coordinated roles according to their comparative strengths – whether these roles be in creating enabling environments, providing technical assistance, investing in sustainable development, or in some other specialized area. As a learning-based institution, GEF needs to program its support in a sequence that will maximize the opportunities for structured learning -- through monitoring and evaluation and feedback into subsequent operations in the program.

Programming in GEF

Current Approach to GEF Business Planning

10. GEF's programming function has evolved in response to previous evaluations of its performance and to Council decisions. Up to 1996, the GEF Business Plan had been the synthesis of the business plans of the three Implementing Agencies but in 1997, the GEF Business Plan was established on a set

of principles that included having an integrated approach and a corporate identity. Currently the planning cycle comprises the following:

- (a) The annual preparation of *Program Status Reviews* by the Secretariat in consultation with the Implementing Agencies through the inter-agency task forces and based on a knowledge of the portfolio through the Project Implementation Reviews and the pipeline. The PSRs identify the status of implementation of the Operational Programs, including any gaps and issues, and help direct attention to under-programmed areas.
- (b) The *GEF Business Plan* sets out the way in which impacts will be sought, country ownership strengthened, agency commitment deepened, partnerships extended, and operations made more efficient. The business plan projects (but does not program) the level of resources in each Operational Program or focal area over the following three years.
- (c) The *GEF Budget* seeks Council approval for resources for the non-project operations of the GEF entities for the first year of the business plan period (project implementation costs being covered by fees).
- (d) Individual GEF entities devise their own work plans in accordance with the GEF Business Plan and the GEF Budget.

11. Resources have been programmed by individual Implementing Agencies. In an attempt to standardize programming and project entry into the Work Program, the Secretariat prepared project review criteria in consultation with the Implementing Agencies in 1998. An understanding was reached at the May 1999 Council Meeting that the Secretariat would work with the Implementing Agencies and executing agencies to prepare a pipeline of GEF projects on a regular basis. From that time on, pipeline information on any given proposal has been made available to Council at least one meeting prior to the meeting at which the Work Program containing that proposal was to be discussed. It is important to note that while the GEF Pipeline provided for the first time valuable advance information about projects under preparation and an overall view of the GEF projects under preparation, it did not *program* projects on a corporate GEF basis. This is because pipeline entry is based on individual project merit according to the project eligibility criteria, and not on overall strategic or programmatic targets.

12. Programming on a GEF-wide basis has been done in a very limited way in response to specific Council concerns -- for example, to sequence the approvals of solar-thermal projects, fuel cell bus projects, and biosafety projects. In these cases, specific programming strategies were adopted to limit approval to an initial group of demonstration projects with subsequent follow up to be determined later on the basis of experience, evaluation, and STAP advice as appropriate.

Drawbacks of the Current Approach to GEF Business Planning

13. The current programming approach is deficient in meeting all the objectives set out in paragraph 9, and these deficiencies are now apparent.

- (a) GEF currently has no systematic way for setting strategic targets corresponding to the program priorities established through convention guidance, or for ensuring that such GEF-wide targets would be implemented operationally. Yet this is necessary at the GEF level: it cannot be done individually by each Implementing Agency, because no single agency has the comparative advantage or the assistance strategy to cover all the requirements.
- (b) GEF currently has no systematic way of ensuring balanced geographical coverage. This is particularly acute for the smaller and less developed countries. Similarly, GEF has no way to ensure that the group of proposals submitted for review cover national priorities in a balanced way, even granted that each such proposal is country-driven. Not every high-priority proposal of a country to meet its global environmental commitments fits both the country assistance strategy and the comparative advantage of an Implementing Agency. As a result, some countries believe that their GEF portfolios, while comprising projects that are individually endorsed, are not reflective of the balance of national priorities. Several countries have requested the GEF to redress this situation.
- (c) It is difficult to ensure predictable resource availability for the Implementing Agencies and at the same time a balanced Work Program with overall allocations matched to available resources. Beginning in November 2000, it has become necessary to phase projects to meet financial constraints and for Implementing Agencies to delay project funding requests. Excess demand for GEF resources has resulted from (i) increased country absorptive capacity as a result of enabling and outreach activities and (ii) introduction of new GEF operational programs. The excess demand coupled with the unpredictability of total resource needs for any given Work Program, has generated major challenges. For the GEF, the challenge is to develop balanced Work Programs that match available resources when the total allocation requested cannot be known with certainty until the projects are actually submitted for a Work Program. For the Implementing Agencies, the challenge is then to manage country demand, pipeline development, and mainstreaming GEF operations within constrained and unpredictable resources. The Overall Performance Study Report noted that a reasonable degree of predictability over the medium term future about the funding level of GEF activities is essential to maintain and further develop the Implementing Agencies' engagement with the GEF.
- (d) As OPS2 points out, cross-learning needs to be strengthened and accelerated. The GEF system could make significant improvements in recognizing success, and accelerating replication and integrating the lessons in future business and strategic planning.

Proposal for strengthened GEF Business Planning

14. It is generally agreed that there is a need for a change to a strategic approach in the way GEF resources are programmed to meet the objectives in paragraph 9. **Such a strategic approach should take account of COP guidance, and national and regional priorities as identified by countries through their national action plans and communications adopted in accordance with their commitments to GEF related legal agreements.** It is proposed that integrated business planning be undertaken at two levels. The first level would be for the Secretariat, in consultation with the Implementing Agencies, to prepare the GEF Business Plan, containing strategic priorities and targets, for Council's approval and guidance to the Secretariat and Implementing Agencies. The second level would be for the Implementing Agencies to prepare individual operational work plans consistent with the business plan and its strategic priorities and targets.

15. Level 1: GEF Business Plan. Specifically, it is proposed that GEF program resources to meet strategic priorities and targets. The principal shift in planning would be to strengthen the role of the Council in approving three-year rolling programmatic business plans with clear strategic priorities and targets based on the needs of the GEF as identified through portfolio gaps and innovative niches that need to be explored, guidance of the Conventions, and country policy and programming discussions coordinated by the GEF Secretariat **in consultation with the Implementing Agencies.** The Implementing Agencies **will continue** to pursue country-driven opportunities for such targets and to work with countries to propose and manage projects according to the approved business needs. The GEF Secretariat and Council would continue their respective roles of coordinating and approving the work programs. Programmatic indicators would be developed to track the delivery of the program strategy and ensure the quality of implementation.

16. Such a system should lead to increased overall impacts of GEF activities over time, to increased predictability of resource allocation within the system, and to better transparency in programming. It is also to be expected that this strategic programming would over time lead to reduced costs of doing business and increase the accountability of the Implementing Agencies for working with countries to develop project proposals consistent with the programmatic strategy and targets approved by the Council.

17. The Secretariat and the Implementing Agencies have begun to discuss the modalities for strategic programming in the context of the business plan. Each year the Secretariat would prepare, as it does now, the *GEF Business Plan* with a three-year planning horizon, in consultation with the Implementing Agencies. However, the business plan would be strengthened in that it would now propose overall strategic priorities and targets for the GEF to meet in implementing convention guidance and program the resources accordingly. Inputs to the business planning process would continue to include the Program Status Reviews, the Project Performance Reports / Project Implementation Reviews, the GEF Pipeline, and the results of any discussions on programmatic approaches or national

priorities held with requesting countries. The business plan would be submitted for the consideration of the GEF Council.

- (a) Important aspects of this strengthened business planning approach would include:
- (b) Strategies for meeting target objectives, indicative allocations of resources for identified priorities, and the assignment of Implementing Agencies to program such resources on the basis of country-driven proposals, **which will include as appropriate, regional and global projects**;
- (c) Country-level programming undertaken by Implementing Agencies on the basis of the country-driven proposals that are consistent with national priorities as well as the strategies, target objectives, and indicative allocations of the GEF business plan;
- (d) Prudential reservation of unprogrammed resources for GEF to maintain the flexibility to meet future convention guidance;
- (e) **Approval by the GEF Council of objective** criteria, based on business needs, portfolio gaps and institutional comparative advantage, for areas where specific executing agencies would be able to propose projects;
- (f) A strategy, based on a review of the GEF Pipeline, for managing the transition from the existing pipeline with its implied commitments and excess demand, to the new strategic approach;
- (g) A balance between the top-down strategic approach to defining the program areas needed to fulfill convention guidance and the bottom-up country driven approach needed for developing projects within those program areas; and
- (h) The opportunity for the Council to discuss broad policy issues.

18. Level 2: Operational Plans of the Implementing Agencies. Each IA would simultaneously develop its own individual three-year operational plan to outline:

- (a) their implementation of the approved strategic priorities and targets;
- (b) proposed deliverables;
- (c) estimated resource requirements consistent with agreed financial envelopes; and
- (d) any policy issues relating to the implementation of GEF-financed activities.

19. Iterative process. The GEF Business Plan has been produced annually with a three-year time horizon. It is proposed to retain this rolling review because the annual iterations provide an opportunity for adapting to changing circumstances. Council review and decisions would thus continue to shape

medium-term planning. In addition, and in recognition of the fact that strategic programming is a major change, the business plan and its modalities will be discussed at three successive Council meetings:

- (a) December 2001. The current paper, the results of the replenishment discussions on *Programming for Resources*, and the *Directions for the GEF Business Plan FY03-FY05* are all available for discussion;
- (b) May 2002. The proposed *GEF Business Plan FY03-FY05* will be submitted to the Council for discussion and approval at this meeting;
- (c) October 2002. The proposed *GEF Business Plan FY04-FY06* will be submitted for Council discussion and approval at this meeting thereby reverting to the usual practice of submitting business plans annually at the second regular Council meeting of each year.

It is envisaged that when Council approves each year's business plan, it will provide guidance on the strategic priorities and targets for the business plan period. This forward-looking guidance will assist in country-level programming of GEF resources through identified agencies.

20. Such an integrated and iterative business planning process would lead to increased predictability of resource allocation for countries and through specific agencies, and to increased transparency in programming. It would increase overall impacts of GEF activities over time and increase the accountability of the Implementing Agencies for working with countries to develop project proposals consistent with the Strategic priorities and targets approved by the Council. The proposed business planning process would provide a consultative and transparent approach to managing excess demand, which is likely to be a fundamental feature of GEF's operations. This approach would also require the Implementing Agencies to collaborate more closely on pipeline development at all levels (in at headquarters and country level). Indicative planning frameworks for resources should also not be considered entitlements or rigid allocations (periodic Council reviews of such indicative envelopes might be considered).

21. In conclusion, the recommended approach, emphasis would be placed on GEF's Council-approved Business Plan, and the overall strategic targets which are needed to meet convention guidance and national priorities in a geographically balanced way. This approach would be implemented through IA operational plans and country-driven activities programmed by the Implementing Agencies within agreed financial envelopes and entered into the Pipeline and Work Program in the established way.

II. CLARIFYING THE ROLES AND RESPONSIBILITIES OF THE GEF ENTITIES

22. The GEF is a multilateral organizational arrangement that embodies partnerships at different levels and dimensions. The Assembly and the Council review and make policies for the functioning of GEF. The implementation of decisions are facilitated by the Secretariat in partnership with the three Implementing Agencies -- UNDP, UNEP and the World Bank. The World Bank also acts as the Trustee to the GEF Trust Fund and provides administrative support to the Secretariat. A second level of partnerships are being developed with Executing Agencies under the policy of expanded opportunities. There are also partnerships with countries and the Convention Secretariats. Another layer is with the NGO community, private sector, and other organizations participating in GEF activities.

23. The Interim Report of OPS2 has noted **the success of the partnership between the three Implementing Agencies to date**. As the GEF partnership has evolved and expanded, there may be a need for clarification or re-alignment of roles and responsibilities of the partners in order to improve the efficiency and effectiveness of the GEF. In particular, it is important to consider how the GEF can continue to build on the comparative advantage of the various entities that constitute the partnership, and be more responsive to recipients and donors. The need for strategic programming further makes this clarification imperative in order to make the GEF a more effective and results-based organization.

24. The different GEF entities within the partnership collaborate to support the following functions of the GEF: (i) Relations with Conventions; (ii) Policy and Program Development and Implementation; (iii) Monitoring and Evaluation; and (iv) Communications, information dissemination, promotion of accomplishments and awareness. A clarification of roles and responsibilities is to be sought within the context of execution of these functions.

Relations with Conventions.

25. The OPS2 notes the critical role played by the GEF as a multi-convention financing facility, and concludes that the GEF has been responsive in operationalizing the Convention guidance as to the eligibility requirements, policies and programs to be followed in assisting developing countries to implement the Conventions. The Council and the Secretariat have the primary role for managing the collaboration between the GEF and the Conventions. The Council is responsible for ensuring that GEF-financed activities conform with Convention guidance, and it approves the regular reports of the GEF to the Conventions. The GEF Secretariat is responsible for coordinating with the Convention Secretariats, and for representing the GEF at meetings of the Conventions. The Secretariat proposes to the Council how the guidance from the Conventions may best be incorporated into GEF policies, programs and strategies. The Secretariat consults with the Implementing Agencies, STAP, and the appropriate Convention Secretariat in preparing such proposals and other operational guidance related to the GEF's role as financial mechanism of the Convention.

26. In its proposals for increasing the collaboration and dialogue between the country national focal points and the GEF Secretariat, OPS 2 notes the importance of promoting country coordination among the GEF focal point and the national focal points for the Conventions. The discussion below concerning country coordination elaborates on how the GEF Secretariat **and Implementing Agencies** can assist the GEF focal points in this regard.

Policy and Program Development and Implementation.

27. This function encompasses several sub-areas such as development of operational programs, policies and criteria, country coordination, project preparation, and project implementation.

Operational programs and policies

28. As noted, the Secretariat has primary responsibility for interpreting Convention guidance and developing operational programs, policies and criteria, in consultation with the Implementing Agencies and STAP, prior to presentation for Council review and approval. Development of programs and policies are usually managed through inter-agency task forces, comprised of staff from the Secretariat and the Implementing Agencies. OPS2 notes that these arrangements are working well, and remarked that the proposed shifting of the STAP Secretariat to the UNEP regional office in Washington D.C should enhance the coordination between the GEF entities and the STAP Secretariat.

Country Coordination for Programming

29. OPS2 underscores the GEF operational principle that its projects must be country driven and based on national priorities designed to support sustainable development. OPS2 also points out that more focus needs to be placed on sustainability of project benefits. The key to achieving this is to integrate global environmental concerns in broader sectoral development plans and related environmental management priorities of countries.

30. OPS2 notes that to achieve this goal, GEF needs to help further strengthen national coordination through the operational focal points. It also notes that while each of the Implementing Agencies has important operational contacts in each government, the GEF needs a strong central focal point in each country that can ensure that GEF projects are properly coordinated within the framework of strategic programming, fall within the priorities and policies of the Government, and receive the support needed to achieve results that have positive global environmental impact. OPS2 also points out that it is necessary to develop an effective capacity at the national level for the GEF focal point to exchange information (especially program results) with the national focal points of the Conventions which the GEF is serving.

31. Strengthening national focal points and country coordination should serve three functions: (i) identification of general national priorities in countries through a multi-stakeholder process; (ii) coordination in a country programmatic exercise; and (iii) detailed country-level programming.

32. Identification of country priorities. In order to undertake the proposed strategic programming it is important for the GEF to understand priorities of recipient countries for global environmental issues to ensure that GEF-funded activities are in accordance with those priorities. Recognizing the growing mandate of the GEF, it is also important that the identification of priorities include a multi-stakeholder process, and in particular, a dialogue with the national focal points for the individual conventions served by the GEF. To do this, and in accordance with OPS2 findings, it is proposed that the Secretariat

assume a proactive role in working with the country focal points to enable them to fulfill their key responsibilities in facilitating country-level coordination, elaborating country priorities, and ensuring country ownership, building upon tools already developed by the GEF, such as the Country Dialogue Workshops and the focal points newsletter. This will involve, as recommended by OPS2, the GEF Secretariat, in collaboration with the Implementing Agencies, providing much more and better focused information services to empower the operational focal point in each country to execute its tasks and coordinating dialogue with the focal point regarding the GEF, its policies and procedures and how it may best assist countries to respond to their national priorities.

33. It is proposed to establish a country relations group and help desk within the Secretariat with staff whose main task is to ensure interaction with country focal points and to assist Council Members, as requested, in working with their constituencies. The Secretariat **in collaboration with the Implementing Agencies** would also organize sub-regional and regional meetings of focal points on a rotating basis, including training for improving the technical capacity of focal points.

34. In addition, given the positive response to the Country Dialogue workshops received from OPS2 and other quarters, it is proposed that the Secretariat, in collaboration with the Implementing Agencies, hold regular country dialogue workshops on a rotating basis .

35. **Programmatic Approach.** The GEF Programmatic Approach, undertaken in partnership with the country, and international partners, would provide phased and sustained support for the implementation of a multi-year (medium to long-term) program that better integrates global environmental objectives into national strategies and plans (e.g. biodiversity strategy, sustainable energy plan, or a strategic action program for international waters). OPS2 supports the GEF Strategy of piloting the programmatic approach in a few selected countries, focusing on those where there is a significant portfolio and/or pipeline of GEF-funded activities. An important point that OPS2 makes in this regard is that it should not be pursued on a piece-meal basis by each Implementing Agency, nor by the GEF Secretariat alone, but should involve all key GEF partners in a joint exercise with the national operational focal point and other key stakeholders in the country and coordinated by the GEF Secretariat.

36. Since a programmatic approach would be multi-year, involving multiple sectors, multiple agencies, and multiple stakeholders, with phased commitments of resources from all the partners involved, it is important, as OPS2 confirms, that the Secretariat play a pivotal coordinating role in the programmatic dialogue with the countries, in collaboration with the Implementing Agencies. The GEF Secretariat would have an important coordination and policy oversight function in developing GEF programmatic approaches and in proposing commitments on behalf of the GEF, while the Implementing Agencies would, according to their comparative advantage and country experience, be requested to further elaborate on the dialogue with countries consistent with GEF guidance. Executing Agencies would be involved, as necessary, for identified business needs on basis of comparative advantage and experience. The programmatic approach should work with and support the mainstreaming actions and development policy dialogue that the Implementing Agencies have with their clients within the context of

their individual country-programming exercises. It would also be placed in the context of broader national and sectoral development frameworks.

37. The results of establishing such programmatic frameworks in selected countries will contribute to the strategic business planning referred to the Part I of this note. The Implementing Agencies will have primary responsibility for discussions with the country on the development of individual project proposals and other means for implementing the agreed program.

38. Detailed Country-level programming. Implementing Agencies should continue to have primary responsibility for detailed programming at the country-level leading to development of individual project proposals and other means for implementing the agreed program within the context of an agreed programmatic approach or projects that fit into national priorities. The Implementing Agencies should continue to develop the details of the GEF program within the context of their country assistance frameworks and sector strategies, which would enhance mainstreaming of global environmental issues within their respective agencies.

39. Executing Agencies should be called upon to provide services according to the additional business needs of the strategic business plan, taking into account their comparative advantage and experience, **and in accordance with article 28 of the GEF Instrument.**

Concept Development, Project Preparation and Implementation

40. The Implementing Agencies and the Executing Agencies prepare and implement projects, while the Secretariat reviews the concepts prior to entry into the pipeline and reviews project proposals prior to submission to the Council for entry into the work program and approval. OPS2 noted the commitment and motivation among staff in the Implementing Agencies in developing projects to meet GEF goals and objectives.

41. It is necessary to distinguish between the relative roles and responsibilities of the Implementing Agencies and those Executing Agencies covered by the Expanded Opportunities Policy. The following directions are proposed in this regard:

- (a) The Implementing Agencies should continue to contribute **in accordance with article 22 of the GEF Instrument** to the development and review of GEF operational policy issues and partner with strategic programming by the Secretariat, in addition to the project development and implementation roles that they would share with the Executing Agencies. The Implementing Agencies (and appropriate Executing Agencies) would also partner with the Secretariat in developing programmatic approaches in certain countries, and collaborating with the Secretariat in various corporate GEF programs (such as Country Dialogue Workshops and Focal Point Support at the country level)

- (b) An articulation of the areas of particular emphasis in the GEF for each Executing Agency. The scope of the Executing Agencies' GEF pipelines and portfolios would be clearly defined by Council, in order to meet specific business needs of the GEF agreed upon through the strategic business plan process, and based on the comparative advantage of the agencies in areas where expertise and capacities may be lacking within the existing Implementing Agencies.
- (c) A clarification by the Trustee of the financial accountability of the Executing Agencies to ensure that GEF funds accessed directly by the Executing Agencies are used in accordance with the Instrument and the decisions of the Council.

42. OPS2 has recommended that while in general the current roles and responsibilities during the project cycle should be continued, the Secretariat should have a role in monitoring main strategic and programmatic goals during project implementation (see section below on Monitoring and Evaluation) so as to “provide opportunities for close partnerships in the evaluation of projects, to allow a collaborative approach to the difficult task of gaining knowledge, sharing experience, and promoting learning between all the partners of the GEF.” At the same time, OPS2 concluded that there is scope for the Secretariat to reduce its involvement in detailed project reviews prior to work program entry and final project approval.

43. Under these principles, the Secretariat review during project development should focus on strategic matters relevant to the GEF, and the Implementing Agencies would be responsible for ensuring that project proposals meet GEF review criteria.

44. With stronger GEF strategic planning and programming systems, it would be more cost-effective for the Secretariat to focus its reviews on project concepts prior to pipeline entry for consistency with the Business Plan or agreed programmatic priorities, objectives and targets. As part of the creative partnership approach, responsibility for review of project proposal prior to inclusion in the GEF work program should be shifted to the Implementing Agencies with the establishment of a consistent way of recording their certification that projects submitted for work programs meet the agreed project review criteria of the GEF. The Secretariat can then reprogram capacity to become more involved in supporting partnership tasks during project implementation, particularly during selective mid-term reviews and evaluations. These ideas are consistent with agreement reached during a GEF senior management retreat of the GEF Secretariat and the Implementing Agencies held in June 2000.

Monitoring and Evaluation

45. OPS2 noted the centrality of Monitoring and Evaluation towards enhancing the quality and results-based culture at the GEF. It noted that the M&E function needs to strengthen its dissemination function and institutional linkages in order to promote learning.

46. The GEF monitoring and evaluation team at the Secretariat operates principally at the program scale but uses selected project-scale evaluations as case studies to inform program evaluations. The

Implementing and Executing Agencies are responsible for project level monitoring and evaluation. Following recommendations of OPS2 it is proposed that the Monitoring and Evaluation team at Secretariat, including other staff from the Secretariat, should also have a strategic role during project implementation by participating with the Implementing/Executing Agencies in mid-term reviews and terminal evaluations of selected projects. Secretariat staff participating in such reviews would focus on issues related to the GEF project review criteria and the projects' global environmental objectives. However, Secretariat staff would not be part of the task team with operational responsibility for the project, thereby respecting the primary role of the Implementing and Executing Agencies in project management. The GEF M&E team is also working to strengthen its working relationship with the Implementing Agencies' evaluation departments. Such arrangements, as OPS2 notes, "will have a positive impact on the professional capacities of the GEF Secretariat staff in interpreting programming criteria and providing strategic guidance on project concepts."

47. OPS2 has also suggested that country operational focal points provide participatory inputs to the IA reporting to the M&E team on the annual project implementation review exercise.

Communications, Information Dissemination, Promotion of Accomplishments and General Awareness

48. The GEF Secretariat focuses on corporate-level awareness raising and uses as its fora the Conferences of the Parties to the global environmental agreements, international meetings, speeches by the CEO, press releases and publications documenting GEF results and impacts. The Implementing Agencies focus on outreach and information at the project-level. However, OPS2 visits have revealed that the Implementing Agencies are often remiss in giving credit to the GEF for operational achievements. As a result there is poor visibility of the GEF, even on projects fully funded by it.

49. It is not easy to understand the GEF's goals, objectives, and operational modalities, particularly with respect to its important emphasis on global environmental benefits and incremental cost financing. As the scope of GEF expands, it is imperative that its main objectives be better understood in government and in civil society – particularly among the NGOs and the private sector. The GEF needs to become more adept at spreading its messages in easily understandable information products well beyond its present reliance on website services. To ensure a coordinated information and outreach strategy, following OPS2 suggestion, the Secretariat should, in consultation with the Implementing Agencies, develop and implement a comprehensive information and outreach strategy. In addition, a clear understanding needs to be developed between the different entities of the GEF as to how information about global environmental issues and the GEF will be disseminated during project development and implementation. This could be achieved through the development of a clear policy, endorsed by the CEO and heads of the Implementing Agencies, for use in project documents, outreach material and various publications.

50. The Secretariat **taking into account article 22 of the GEF Instrument**, will continue to take the primary responsibility to develop institution-wide partnerships and relationships with the NGO

community, the private sector, and other actors in the international and multilateral system, as appropriate.

III. THE NEED TO SPECIFY THE AUTONOMOUS INSTITUTIONAL AUTHORITY OF THE GEF

GEF Instrument and its intention to establish an autonomous institutional structure

51. The GEF was restructured in 1994 when Governments negotiated the *Instrument for the Establishment of the Restructured GEF*. The restructuring took place in a manner which sought to ensure the institutional autonomy and efficiency of the GEF, taking into account the comparative advantages of the **Implementing Agencies in meeting the global environmental objectives for which the GEF was established**. The restructuring was achieved without setting up a new institution with formal intergovernmental status.

52. Rather, the Instrument provides for specific roles for the GEF Assembly, GEF Council, CEO, and Secretariat, as well as for the Implementing Agencies and Trustee. In addition, the inter-relationship of the entities was described.

53. The inter-relationship set forth in the Instrument provides for a partnership amongst a broad range of actors (the Implementing Agencies, Conventions, executing agencies, other international environmental bodies) with the Assembly, Council and Secretariat as autonomous bodies at its center. These latter three bodies, created by the Instrument, are key to ensure that the GEF fulfills its goals and objectives. The arrangements **for functional independence of the Secretariat**, provided for in the Instrument are considered crucial to the effectiveness of the GEF.

54. As provided in the Instrument, the Assembly is an autonomous structure. It is responsible for reviewing the general policies of the GEF, for reviewing and evaluating the operation of the Facility, and for approving on the basis of consensus, amendments to the Instrument on the basis of recommendations by the Council.”

55. The Council is also an autonomous body on which all member states are represented through a system of constituency representation. The Council is provided with explicit decision making responsibilities in the Instrument (paragraph 20) aimed at managing and overseeing the fulfillment of the GEF’s mandate as well as authority to “exercise such other operational functions as may be appropriate to fulfill the purposes of the Facility.” Within the context of GEF activities, the CEO, the Implementing Agencies, and the Trustee are accountable to the Council.

56. The Secretariat services and reports to the Assembly and the Council. One of its principal responsibilities is to implement effectively the decisions of the Assembly and the Council. The GEF Secretariat is supported administratively by the World Bank and operates in a functionally independent manner. The World Bank’s privileges and immunities apply to GEF staff because all GEF staff are Bank staff, appointed pursuant to appointment letters which accord them all the rights, obligations, privileges and immunities of Bank staff.

57. The Secretariat is headed by the CEO/Chairperson of the Facility. The CEO/Chairperson of the Facility is appointed by the Council on the joint recommendation of the Implementing Agencies, and he/she reports to the Council. The Instrument provides that the CEO is responsible for the organization, appointment and dismissal of Secretariat staff. Explicit functions of the Secretariat are listed in paragraph 21 of the Instrument, and in addition there is provision for “performing any other functions assigned by the Council.”

58. The Instrument provides the GEF institutional structure with authority to act which includes:

- (a) authority at the internal level of the GEF for purposes of managing its decision making process. Such authority includes adoption of the rules of procedure for the Council and Assembly, the adoption of the corporate budget, and the appointment and dismissal of staff;
- (b) authority to formulate policy and substantive obligations concerning the use of GEF resources and the responsibility of the Council for responding to the guidance of Conventions concerning policies, program priorities and eligibility criteria;
- (c) authority to supervise the implementation of decisions, including the accountability of the Implementing Agencies to the Council for their GEF-financed activities and the Council’s responsibility to monitor and evaluate progress in the implementation of the work program;
- (d) authority to interact with others in the international system, including, where necessary, the authority to enter into arrangements with other organizations, such as the conventions and executing agencies.

59. The Council is assigned responsibility for instructing the Secretariat in substantive matters, as well as in procedural questions (preparations of meeting, approval of policies and projects, contact with other international organizations and conventions).

60. The World Bank serves as the Trustee of the GEF Trust Fund, and in this capacity, it assumes fiduciary responsibilities for management of the assets and receipts which constitute the Fund as provided in Annex B of the Instrument. The privileges and immunities accorded to the World Bank under its Articles of Agreement apply to the property, assets, archives, income, operations and transactions of the GEF Trust Fund because the Bank acts as Trustee of such fund.

61. Experience with the operations of the GEF since the adoption of the Instrument in 1994, including the first evaluation and OPS2, have confirmed that the operations of the GEF continue to improve. Nevertheless, as noted in the previous sections of this note, there is agreement that there are areas where greater clarification in the roles and authority of the different partners in the GEF may help the GEF to better achieve its objectives.

62. While many, if not all, of the functions assumed by the Assembly, Council and Secretariat are either explicitly provided for or implied by the provisions of the Instrument, there have been instances in which issues have arisen as to the GEF Secretariat's authority to act on behalf of the Council and the GEF. In addition, arrangements between the GEF Secretariat and the Implementing Agencies or Trustee have by-in-large been developed through practice and difficulties have sometimes ensued in their implementation. There **is therefore an urgent need to conclude an interagency agreement between the Implementing Agencies as called for in article 22 of the GEF Instrument** in order to formalize arrangements that would help bring greater clarity, transparency, accountability and predictability to the efficient operations of the GEF.

63. There is agreement that there are areas where clarity in the framework may help the GEF to better achieve its objectives. These actions include the following:

- (a) Strengthening the coordinating and collaborative role of the GEF Secretariat vis-à-vis the Convention Secretariats as the GEF becomes the financial mechanism for new conventions and protocols. This could help ensure a direct relationship between the Conventions and the GEF, including conclusion of arrangements between their Secretariats and help clarify the autonomous role of the GEF and the **functional independence of the** GEF Secretariat.
- (b) Assisting the GEF focal points in the countries to become more effective and exercising new functions to support the focal points and to ensure that GEF projects are consistent with national priorities and the strategic business plan.
- (c) Providing a lead role in creating an enabling environment leading to increased private sector partnerships
- (d) Providing a greater focus to corporate level awareness raising
- (e) Becoming a more active partner with the Implementing Agencies in the evaluation of projects, focusing on strategic matters relevant to the GEF
- (f) **Reviewing the fee system, which may include, as appropriate,** entering into agreements with the Implementing to specify the set of tasks to be performed with the resources provided through the fee system for project implementation. The fee system should be strengthened to provide for greater accountability, transparency, and competition.⁶

⁶ The Council has before it for approval a proposal for a review of the fee-based system (Document GEF/C.18/9). The findings and recommendations of the review and related decisions of the Council will be taken into account as appropriate in any proposals to strengthen the fee-based system.

- (g) Strengthening the GEF monitoring and evaluation function to improve its information dissemination and institutional linkages with the Implementing Agencies and operational focal points with a view to strengthening strategic portfolio management and program evaluation.
- (h) Clarifying the role of the CEO in relation to appointment and dismissal of staff (including consultants).

All of these actions could be addressed within the provisions of the GEF Instrument, through strengthened administrative arrangements between the GEF Secretariat and the World Bank, including instruments of delegation of authority, to ensure complete clarity regarding the capacity of the GEF to more efficiently achieve its global mission. If this should prove not to be possible, then other options will be presented to the May meeting of the GEF Council.

ANNEX C: COMMENTS FROM THE VICE PRESIDENT OF THE WORLD BANK FOR ENVIRONMENTALLY
AND SOCIALLY SUSTAINABLE DEVELOPMENT

Dear Mohamed,

Thank you very much for the revised draft of the above-mentioned paper. We find the paper to reflect excellent progress in reaching a common understanding among the IAs and GEFSEC on the way forward, and we appreciate GEFSEC's effort to respond to our earlier comments. There are some points where I believe we collectively would benefit from greater clarity, taking also into full account the discussions at the Heads of Agencies Meeting yesterday and the Executive Coordinator's Meeting on November 12. Please find attached, therefore, our proposed revisions (detailed in new text), which are focused on the following points:

Country coordination for programming (paras 32, 33, 35 and 36) -- to reflect a clear distinction between the coordination, facilitating and oversight functions of GEFSEC and the operational and mainstreaming role of the IAs.

Options for addressing the functional independence of GEFSEC (paras 64-65) -- to better emphasize the process for addressing the issues raised in the note.

Introductory Section. In addition, we also find that the introduction, to be complete, would benefit from a brief reference to the GEF as a partnership between the GEF Secretariat and the Implementing and to the effectiveness of this partnership to date.

The attachment also sets out a few additional points (with detailed proposed text) that serve to strengthen the paper, including its "tone". These relate primarily to the business planning process, monitoring and evaluation, executing agencies, and relationship between GEFSEC and the IAs.

With these revisions, the Bank believes the paper reflects the broad range of options that should be brought to the GEF Council's attention.

Finally, we note that the OPS-2, whose finding and conclusions are cited as the basis of many issues and options presented in the paper, is still in a draft form and the Bank's management, therefore, is yet to provide its formal response to the evaluation report. Also, the recommendations by the OPS-2 team have not yet been considered by the GEF Council. Hence, final determination on actions to improve the efficiency and effectiveness of the GEF will need to take into consideration the final conclusions of the OPS-2 and Council's decisions on its recommendations.

Ian

Attachment:

Proposed Changes to GEFSEC draft dated November 13 on Overall Structure, Processes and Procedures of the GEF

Key Points

1. Country Coordination for Programming

We propose the following revised text, which we hope will more clearly place these actions in the context of strengthening country level coordination and reflect the comparative advantage of GEFSEC and the IAs. The added new text is shown in italics.

32. Identification of country priorities. In order to undertake the proposed strategic programming it is important for the GEF to understand priorities of recipient countries for global environmental issues *and GEF assistance. National processes for determining such priorities, and for integrating such priorities in sectoral development planning, need to be strengthened through multi-stakeholder involvement, with the GEF Focal Point playing an important role. National GEF focal points need to work closely with convention focal points, coordinate with the national and sectoral development agencies, and ensure that the views of the broader civil society are taken into account in an effort to secure full country ownership.*

The Secretariat, working with the Implementing Agencies, has a clear role in coordinating GEF assistance for this purpose. Consistent with OPS2 findings, such assistance should build upon tools already developed by the GEF, such as the Country Dialogue workshops, the Focal Point Support Program, and the focal points newsletter. Focus will be on better information services to empower the operational focal point in each country to execute its task and a dialogue between the Secretariat *in partnership with the IAs* and the focal point regarding the GEF, its policies and procedures and how GEF may best assist countries to respond to their national priorities, *recognizing of course that the programming of such responses is the responsibility of the Implementing Agencies as part of their regular country assistance dialogue.*

33. *To help address this challenge more effectively,* it is proposed that a *small* country relations group be established within the Secretariat *to coordinate and collaborate with the IAs in ongoing and planned activities to support the focal points as described above. The Secretariat in cooperation with the IAs* would also organize sub-regional and regional meetings of focal points on a rotating basis, including training for improving the technical capacity of focal points. The information gathered from these consultations and dialogues *would contribute to the deliberations on national priority setting and to country programming.*

35. Programmatic Approach. The GEF Programmatic Approach, undertaken in partnership with the country, and international partners, would provide phased and sustained support for the

implementation of a multi-year (medium to long term) program that better integrates global environmental objectives into national strategies and plans (e.g. biodiversity strategy, sustainable energy plan, or a strategic action program for international waters). The programmatic approach should work with and support the mainstreaming actions and development policy dialogue that the Implementing Agencies have with their clients within the context of their individual country-programming exercises, recognizing broader national and sectoral development frameworks. OPS2 supports the GEF Strategy of piloting the programmatic approach in a few selected countries, focusing on those where there are significant portfolio and/or pipeline of GEF funded activities.

36. *Given this nature of the programmatic approach, it is essential that the ongoing or planned dialogues between the IAs (and where appropriate EAs) and country clients in areas relevant to the envisaged programmatic initiative are fully coordinated and consistent with GEF policies and strategies.* As pointed out by OPS2, the Secretariat has a lead role to play in such coordination and in providing policy oversight in the development of individual GEF programmatic approaches, including advising on appropriate levels of financial commitments on behalf of the GEF. *The IAs, according to their comparative advantage and the status and nature of ongoing country dialogues, would be expected to carry out the dialogue with the client country on the individual GEF programmatic initiative, with GEFSEC's involvement, and consistent with GEF policy guidance and agreements on coordination requirements within the GEF partnership.* The Executing agencies would be involved, as necessary, for identified business needs on basis of comparative advantage and experience.

37. The results of establishing such programmatic frameworks in selected countries will contribute to the strategic business planning referred to the Part I of this note. As discussed below, the Implementing Agencies will have the primary responsibility for discussions with the country on the development of individual project proposals and other means for implementing the agreed program.

2. Options for addressing the functional independence of GEFSEC

We suggest that it would be more accurate to title Section III. "The Need to Specify the Functional Independence of the GEF Secretariat", since the institutional autonomy of the GEF Assembly and Council are not at issue and no proposals are put forward with respect to the governing bodies of the GEF.

Re. Para 64 - 65 We agree that there are two options to address the issues raised and that they should be brought to Council's attention. However, we believe that it would be helpful for the text to reflect that we would first explore all administrative means, and subsequently examine whether an amendment(s) is necessary. Hence we propose that the current text in paras 64 and 65 are replaced by the following:

Para 64 *"In order to achieve these actions, it is the intent of the IAs and the GEF Secretariat to fully explore, in partnership with the Trustee, administrative means and arrangements as a*

solution. If administrative means cannot serve to adequately achieve the necessary actions, a suggested next step can be to consider amendment to the GEF instrument”

Para 65. *“Thus, the two possible options that may be utilized in the future to achieve the goals for a more efficient, effective GEF are the following:*

(a).....[add after "delegation of authority"] *"including delegation from the Bank as Trustee to the GEF Secretariat"*
"to ensure....."

or, if not adequately addressed through administrative means

(b) [as is].

3. Introduction Section. We believe that the paper will benefit from a reference to the unique partnership of the Bretton Woods and the United Nations in the GEF, the fact that it has worked (as concluded by OPS-2), and the intent to strengthen this partnership.

We propose the following additional text in a new paragraph 4 in the Introduction:

“The GEF operates on the basis of collaboration and partnership among the Implementing Agencies. This partnership between UNDP, UNEP, the World Bank and a functionally independent Secretariat relies on the existing administrative and operational capabilities of the three Implementing Agencies and draws on their respective comparative advantage. This structure has had two benefits: (a) it has contributed to progress in mainstreaming the global environment in the countries’ and Implementing Agencies sectoral development and poverty alleviation strategies; and (b) cost-effectiveness of delivering GEF operations by relying on the Implementing Agencies global institutional presence, country relationships, operational experience and administrative systems.. The proposals to improve the efficiency and effectiveness of the GEF will seek to strengthen this unique partnership.”

Additional Points

(in chronological order)

Para 4. Presentation of OPS findings . We believe that the OPS-2 findings could be presented on a more positive note in para 4, as follows (second sentence): “At the same time, OPS-2 has identified areas for improvement in the GEF’s performance. These include strengthening country capacity, strategically managing excess demand, strengthening the institutional structure of the GEF, and enhancing the GEF partnership.”

Para 9 b. Strategic Programming. Given that the GEF has made a formal commitment to ensuring geographic balance as a primary determinant of programming, we have concerns about whether ensuring adequate geographical balance is a practical objective. It is difficult to define and could be divisive in Council. We propose the following revision:

“National Priorities. The GEF is expected to address environmental issues that are global in nature and to be responsive to national priorities, taking into consideration adequate geographical balance in programming.”

Para 13 b. Here we have two proposals: First, the first sentence would be deleted for reasons set out under 9 b and noting that the proposed business planning approach does not in fact address the issue of geographical balance. Second, we find that responding to country priorities is primarily related to the weak national processes of determining such priorities. The issue is therefore one of how to strengthen such processes, a matter which is fully covered in para. 32 –33 of Section 2. Hence we suggest 13 b be omitted in its entirety.

In this context, the new business planning approach (ref. Para 17) would clearly result in country-driven, GEF-eligible proposals not being accepted into the GEF Pipeline. This implication of the new process ought to be clearly presented to Council.

Para 13 (c): It is important to provide Council with a full picture of the factors that have resulted in excess demand for GEF resources. In addition to the two factors mentioned, these include (1) country and IA mainstreaming resulting in a robust pipeline; (2) expanded opportunities for executing agencies; and (3) arrears to the GEF Trust Fund.

Para 15-20: Business Planning Process

Para. 15 In order to ensure that the business planning is not top-down, but is also balanced with bottom-up country driven demand, we propose the following revision:

“The principal shift ... guidance of the Conventions, and country policy and **programming dialogue, and an assessment of demand through the Implementing Agencies.**”

Para 19. Iterative process: We propose the following shifting around of your drafted text and some minor additions to emphasize the principle of timely guidance by the Council on strategic priorities and targets for the business planning preparation process.

“ The GEF Business Plan has been produced annually with a three-year time horizon. It is proposed to retain this rolling review because the annual iterations provide an opportunity for adapting to changing circumstances. **Council review and decisions would thus continue to shape medium-term planning. Timely guidance by the Council on strategic priorities and targets is important for an efficient business planning process.**”

It is envisaged therefore that when the Council approves each year's business plan, it will *also* provide guidance on the strategic priorities and targets for the next business plan period. This forward-looking guidance will help the Secretariat, working with the Implementing Agencies, in the detailed preparation of the business plan and assist in country-level programming of GEF resources through identified agencies.

In addition, and in recognition of the fact that strategic programming is a major change, the first business plans with this new focus and its modalities will be discussed at two successive Council meetings:

(a) December 2001. The current paper, the results of the replenishment discussions on *Programming for Resources*, and the *Directions for the GEF Business Plan FY03-FY05* are all available for discussion;

(b) May 2002. The proposed *GEF Business Plan FY03-FY05* will be submitted to the Council for discussion and approval at this meeting;

The proposed *GEF Business Plan FY04-FY06* will be submitted for Council discussion and approval at this meeting thereby reverting to the usual practice of submitting business plans annually at the second regular Council meeting of each year”.

Para 39: Country Programming. Add at the end.....”*in coordination with the IAs*”.

Para. 45 – 46 Monitoring and Evaluation

Para 46. We agree with the need for a new role of GEFSEC in M&E. However, we believe that it would be appropriate and more cost-effective for the GEFSEC's role in the project implementation phase of the GEF project cycle to be defined in the context of the corporate M&E work program and existing IA monitoring and quality assurance processes. Therefore, we propose the following revision in para 46:

“Following recommendations of OPS2, it is proposed that the Secretariat, in the context of the annual Corporate M&E work program and the IAs' existing portfolio management and quality assurance processes, would participate in the IAs/EAs' mid term reviews and terminal evaluations.”

Similarly in para 44, we would suggest that it read as “The Secretariat ... to become more involved in a strategic role in monitoring and evaluation of GEF-specific objectives in the project implementation phase of the project cycle.”

Para. 62-63. We believe that it would be more accurate to reflect the fact that there are indeed some formal commitments and reporting requirements in the GEF. Therefore we propose the following revisions to paras 62-63.

Para 63. insert following sentence after the first sentence: *The IAs and Trustee are bound by their commitments under the Instrument including following GEF policies established by Council and complying with standards set by GEFSEC. Nevertheless, some aspects of the arrangements.....*
(old text)

Para 63 f. Suggest replace “entering into agreements” with “*formalizing arrangements*”.