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## **Update on the GEF National Portfolio Formulation Exercises**

## Table of Contents

I. Background .....	1
II. The NPFE Process .....	1

### List of Annexes

Annex I: Processing steps for the National Portfolio Formulation Exercises (NPFEs) under the World Bank Small Grants Procedures .....	4
Annex II: Processing steps for the National Portfolio Formulation Exercises (NPFEs) under the Ancillary Expense Agreement Policy (AEA).....	8
Annex III: Countries that have undertaken the NPFE requesting financial support from the GEF (in alphabetical order) .....	9

## I. Background

1. The National Portfolio Formulation Exercise (NPFE) arose from a recommendation in the Fourth Overall Performance Study (OPS) of the GEF which called for the further development of programming at the national level by supporting the creation of GEF national committees and the development of GEF national business plans.

2. During the GEF-5 replenishment process Participants agreed that voluntary NPFEs would be encouraged as a tool to help interested recipient countries to establish or to strengthen national processes and mechanisms to facilitate GEF programming. As stated in the respective Council documents, countries undertaking an NPFE would do so in a manner compatible with the attainment of the following objectives:

- (a) To strengthen country ownership over decisions on GEF resource programming.
- (b) To align the programming of GEF resources with other relevant strategies and national planning processes.
- (c) To increase responsiveness to country priorities for generating global environmental benefits under the multilateral environmental conventions.
- (d) To identify projects and programmatic approaches that will use national allocations under the new GEF allocation system, the System for Transparent Allocation of Resources (STAR), in the three concerned focal areas, as well as other resources available under the GEF focal areas not subject to STAR allocations.
- (e) To bring together all relevant ministries and representatives of other key stakeholders (e.g. CSOs and the private sector) to provide input on decisions regarding GEF resource programming.
- (f) To build the capacity of GEF focal points to coordinate GEF policy with other ministries and to solicit input from other stakeholders.
- (g) To provide for a more predictable and transparent programming process at the national level, that will provide the GEF Secretariat, the GEF Agencies, and the GEF Council with a clearer understanding of each country's prospective project pipeline during a replenishment period.
- (h) To enhance the mainstreaming of global environmental concerns into other national planning processes and strategies by raising awareness of global environmental issues and priorities among national decision-makers.

## II. The NPFE Process

3. The NPFE was included as a component of the reformed Country Support Programme (CSP) and was approved by Council on July 01, 2010. (GEF/C.38/7/Rev 2.)

4. After the Council meeting, the GEF CEO sent a letter to Operational Focal Points (OFPs) explaining the purpose and procedures for the NPFE and encouraging them to apply. An NPFE template with instructions was developed and uploaded on the GEF website. As the GEF is required to utilize World Bank small grants procedures for the Direct Access modality, several meetings were held with various departments in the World Bank and with the GEF Trustee on how to implement the process that allows countries to receive resources to carry out the NPFE.

5. Within the first two weeks of the launch of the NPFE process, there were 13 requests for NPFEs. Application package, which was also available on the GEF website, was sent to OFPs. As part of the NPFE application, OFPs were asked to provide a list of activities as well as a detailed budget for NPFE. These were reviewed by the GEF Secretariat. The application package also included a simplified Financial Management Assessment questionnaire for the institution responsible for carrying out the NPFE. This part of the application was reviewed and cleared by the World Bank.

6. While the clearances were being processed, the NPFE team notified the country Director in the respective World Bank country office to inform about the NPFE project and identify the staff member who could serve as a contact person for all future interactions on the NPFE.

7. There were several challenges arising from the procedure applied that resulted in undesired delays. Some of these challenges were:

(a) A large number of World Bank and GEF staff involved in processing each grant application, considering the small size of the grant (see details of the grant processing in annex I).

(b) The World Bank requirement that the Ministry of Finance be the main signatory, or delegate authority to sign to the GEF OFP's Ministry (in many instances the Ministry of Environment), created a number of delays depending on the relations between the various ministries in a country. In some cases this discouraged countries from undertaking the NPFE.

(c) Countries had difficulties when completing the hard copy of the withdrawal application forms.

(d) There were delays with the disbursement of funds, mainly due to incomplete banking information, lack of an intermediary bank in the US and discrepancy in the signatures included in the legal documents.

8. These challenges and delays led to further discussions between the GEF Secretariat and the WB to seek a simpler procedure. The solution was to adapt a seldom used procedure in the WB called Ancillary Expenses Agreement. This reduced the time and complexity of the process (see annex II).

9. The Ancillary Expenses Agreement is now being used by 17 countries, while 15 countries used the original World Bank small grants procedure. There were 5 countries that started with the World Bank small grants procedure, but due to the challenges already

mentioned, moved to the AEA process. Thus, 32 countries undertook an NPFE with support from the GEF.

10. Twenty six countries have sent the GEF Secretariat the document containing the results of their NPFEs and these have been commented by the Secretariat and the final versions are posted on the GEF website. As new ones arrive, they will also be posted for public disclosure.

11. Finally, it is worth noting that 10 countries carried out NPFEs or similar programming exercises without requesting financial support from the GEF (see list of countries that have undertaken the NPFE / programming exercises in annex III).

## Annex I: Processing steps for the National Portfolio Formulation Exercises (NPFEs) under the World Bank Small Grants Procedures

At the concept stage, GEF team discussed the concept with all relevant units in the Bank, including legal, safeguard, LOA, procurement and trust fund. The outcome of the discussion included agreement on exemption from safeguard review, preparation of a standard model letter agreement and disbursement letter that are applicable to the Direct Access modalities (including NPFE). It was also agreed that GEF sends the WB Country Directors letter informing them of the GEF Direct Access proposals in the country for information purposes and for requesting support from the country offices. All Country Officers processing NPFEs should get Trust Fund accreditation and get a SAP profile.
<b>Project Preparation</b>
1. Upon receipt of application, the application package is received by PM, GEFSEC Financial Management Specialist-FMS; the Country Officer (or TTL in Bank's terms) reviews the proposal, ensures that the budget and proposed activities are in line with the objectives of the NPFEs and, as necessary, discusses with the OFP possible revisions to the budget or seeks any needed clarification.
2. Upon receipt of a proposal from country, send a letter to country director of the WB describing to them the NPFE and the process involving and the support requested from the country office. Letter should be signed by the team leader, and sent through the DA email account.
3. Country Officer sends a letter/email to the Operational Focal Point (OFP) through NPFE email account, explaining to them the project processing procedures, in particular, urge them to contact their Ministry of Finance regarding the countersignature of the Grant Agreement. Ask them also to contact WB Country Office in their country to seek administrative support. When GEF SEC received the response from the Country Director to the letter in #1 above, provide the contact person's information to OFP as well to facilitate communication and support. If not has been already done so, send the application package to the OFP providing the summary of the NPFE process, NPFE proposal template, instruction for filling the forms, and the simplified combined financial management and procurement assessment (FMA/PR) template. In the meantime, the Country Officer engages in consultation with the country to provide further clarifications on the application.
4. After technical clearance by the Country Officer, a cover memo should be sent to CEO for clearance.
5. Simultaneously, the GEFSEC FMS contacts the local FMS to prepare the Financial Management and Procurement Assessment (FMA/PR) to start the process of FM/PR assessment. Once assessment is cleared, FMS notifies the Country Officer to move to next step.
6. At any point in time upon receipt of the proposal, Country Officer / TTL should do the following: <ul style="list-style-type: none"> <li>a) within <u>GEFSEC</u>, load the relevant information into the PMIS to obtain a PMIS ID number for each proposal. Country Officer / TTL should send the PMIS ID number to the GEF Trustee so that Trustee can transfer fund from the GEF Trust Fund to the NPFE main Trust Fund (<b>TF071555</b>). FA team should continue updating the information in the PMIS for various milestone dates throughout the proposal approval process.</li> <li>b) <u>via SAP</u>, prepare the <b>Activity Initiation Summary</b> (AIS) to obtain a project ID number, and the <b>Grant Funding Request</b> (GFR) to obtain the Trust Fund number. Both AIS and GFR have to be sent, approved and released by the appropriate staff within GEFSEC with proper profile in the SAP. Otherwise, it will not work.</li> </ul> <p>In completing the AIS and GFR, Country Officer / TTL has to ensure all information in the template is complete which includes identifying key project team members:</p> <ul style="list-style-type: none"> <li>a) procurement specialist:</li> <li>b) financial management specialist</li> </ul>

<p>c) lawyer for the project</p> <p>Any missing information in the AIS or GFR, while not preventing one from approving or releasing the form, will hinder disbursement at later stage. Bank's disbursing unit, <b>CTRD</b> will not affect disbursement if information is missing.</p>
Clearances and Approvals
<p>7. Upon receiving FMA clearance, Country Officer / TTL prepares the <b>Grant Letter Agreement (GA) and Disbursement Letter (DL)</b>, following the model templates the pre-agreed; nothing should be changed on this template; the only information to provide in the templates includes country name, recipient official's address, amount of the grant as well as missing information in the DL including the name of the financial institution to receive the grant amount, the preferred currency of the country and the type of designated account, either pooled or segregated account.<sup>1</sup></p>
<p>8. <b>1<sup>st</sup> Bank Clearance Request (from TACT and LOA):</b> Once the draft LA and DL are completed, the TTL sends them to <b>TACTI</b> (Trust Fund Accounting) and <b>LOA-TF</b> (Loan Department) for clearance (service standard: 5 business days). Email should include copy to GEF Trustee, OPCFM and filed in <b>WBDocs/IRIS</b>. The email to <b>TACTI</b> and <b>LOA-TF</b> must include the following information:</p> <ul style="list-style-type: none"> <li>a) Project number;</li> <li>b) Child Trust Fund Number;</li> <li>c) GFR number;</li> <li>d) Text of the draft Letter (Grant) Agreement;</li> <li>e) Text of the draft Disbursement Letter;</li> <li>f) Simplified Financial Management Assessment;</li> <li>g) Approved project Proposal;</li> <li>h) Audit waiver, if applicable;</li> <li>i) Confirmation of Bank Account details and</li> <li>j) Names of Country Officer / TTL, Lawyer and FMS.</li> </ul>
<p>9. <b>2<sup>nd</sup> Bank Clearance Request (from LEG):</b> Upon clearance by <b>TACTI</b> and <b>LOA-TF</b>, Country Officer / TTL revises/updates as necessary and send the final word version of the GA, DL and transmittal letter to the contact point in LEGAL (Yuan Tao), requesting clearance.</p>
<p>10. Simultaneously, Country Officer / TTL sends <b>TACTI</b> and <b>LOA-TF</b> clearance emails to GEF Trustee, together with the PMIS ID number. This last step will trigger Trustee to transfer funds from the GEF Trust Fund account to NPFE main trust fund account (<b>TF071555</b>).</p>
<p>11. Upon clearance of GA and transmittal letter by LEG, Country Officer / TTL makes two copies each of GA and DL and one copy of transmittal letter. GEF CEO signs the GA, DL and transmittal letter (This is the CEO approval date in the PMIS). The Country Officer / TTL updates the GEFSEC PMIS accordingly. Relevant documents should always be filed in <b>WBDocs/IRIS</b>.</p>

<sup>1</sup><http://intresources.worldbank.org/LOANS/Resources/Disbursement09.pdf>– Refer to the Disbursement Handbook for further information.

<p>12. The Country Officer / TTL sends the following to the client via WB Country Office: (a) two signed copies of GA; (b) one signed copy of DL (keep a second copy for GEFSEC file); (c) transmittal letter; and (d) an original Withdrawal Application.</p> <p>Simultaneously, the Country Officer / TTL sends an electronic copy of these signed documents as well as the Withdrawal Application to the OFP/client and the contact person in the WB Country Office, informing them that the signed originals are being sent via Bank pouch to the country office and request them to send the package to client/government.</p>
<p>13. Upon receipt of pouch, the country office sends the two signed originals of the GA, the signed original of the DL and the Withdrawal Application to the OFP or the Ministry of Finance for counter-signature. The recipient has 30 days to countersign the GA. They should return the following to GEFSEC within 30 days via WB Country Office: (a) countersigned GA (this is the date of Grant Signing in the PMIS); (b) authorized signature specimen; and (c) completed Withdrawal Application, if ready. The country office's contact person follows-up on the countersigned original documents and ensure all three items listed here are returned to the Country Office for pouching them to GEFSEC.</p>
<p style="text-align: center;"><b>On Receipt of Countersigned Original of the GA</b></p>
<p>14. Upon receipt of the countersigned GA, the authorized signature specimen and the Withdrawal Application (WA), the FA team scans these and keeps a copy of each for GEFSEC's own internal record keeping; and sends a letter to OFP acknowledging receipt of Countersigned letter agreement (see <b>Annex D</b>).</p>
<p>15. TTL sends the original hard copy of the following to Official Documents in LEG: (a) countersigned GA, (b) CEO signed DL, (c) authorized signature specimen, and (d) an official transmittal memo based on a template provided by LEG. TTL sends a <b>pdf</b> version of the GA, DL and authorized signature specimen to LEG, LOA-TF, TACT AND CTRDM. The original WA should be sent to CTRDM (step #18 below).</p>
<p style="text-align: center;"><b>On Activation of Child Trust Fund Account and Disbursement</b></p>
<p>16. <b>(a) 3<sup>rd</sup> Bank Request to activate Child Trust Fund (from TACT) and (b) 4<sup>th</sup> Bank Request to transfer fund (from Program Accountant):</b> These two requests can be sent in one email addressed to TACT and Program Accountant in sequence.</p> <p>(a) request TACT to activate the child trust fund account; and requests</p> <p>(b) Program Accountant (PA) to transfer fund from the NPFE parent account (<b>TF071555</b>) to the child trust fund account (GFR).</p>
<p>17. Program Accountant will confirm allocation of funds to the child trust fund to Country Officer / TTL who will forward the confirmation to LOA-TF/<u>CTRDM's Trust Fund Service Account</u> (<a href="mailto:ctrdmtf@worldbank.org">ctrdmtf@worldbank.org</a>).</p>
<p>18. <b>5<sup>th</sup> Bank Request to withdraw funds to Recipient bank account (from CTRDM):</b> Country Officer / TTL scans the WA, keeps the scanned copy at GEFSEC, and sends the original WA to CTRDM. Simultaneously, Country Officer / TTL sends an email to the CTRDM Trust Fund Service account to alert them that the original WA is on its way to them via inter-office mail and request CTRDM to effect disbursement of funds to recipient bank account.</p>
<p>19. Within CTRDM, they review the completeness of information for the entire grant, including Grant Agreement, disbursement letter, signature specimen, recipient country's bank name and account information, SWIFT information, etc. via the LOA folder: information from AIS and GFR. When they are happy with the information,<sup>2</sup> they will give green light by sending email to Treasury (Treasury Operations Banking (TROBK)) to effect actual payment of grant fund to the account of the recipient country.<sup>3</sup></p>

<sup>2</sup> This is why complete information should be included in the AIS and GFR since any missing information will delay CTRDM at this stage to transfer fund to client.

<sup>3</sup> At this point, Country Officer /TTL can log into the Client Connection website (<https://clientconnection.worldbank.org>) to see the status of funds for a particular NPFE and to monitor whether the funds have been disbursed to client, if not, contact CTRDM to find out the reason.



<b>Implementation</b>	
20.	The Country Officer / TTL is responsible for monitoring the implementation progress of the project and assist the country as necessary in the implementation, including procurement questions, and reporting requirements, etc.
<b>Reporting</b>	
21.	Country Officer / TTL is responsible for updating the GEFSEC PMIS to record key dates, such as CEO approval date, grant signing date, etc.
22.	Country Officer / TTL is responsible for providing <u>semi-annual reports</u> to the GEF Trustee on how much grant fund has been disbursed to a particular country for preparing the report, following specific template to be provided by the GEF Trustee.
23.	Country Officer / TTL should ensure that country submits to <u>LOA-TF</u> the semi-annual financial report (the template of which is <b>Attachment IV</b> of the Disbursement Letter: Interim Financial Management Report (IFR)). The report is to show and account for all funds used and provides evidence on payments made out of the grant fund, and the grant amount disbursed to date. Country Officer / TTL provides assistance to the country as necessary to complete the IFR. <sup>4</sup>
<b>Project Completion and Closing</b>	
24.	Upon completion of the project, client country/OFP should send the final output (reports to conventions) to the relevant convention with copy to the GEF Secretariat. Country Officer / TTL reviews the report and provides comments as necessary.
25.	Separately, GEF FMS will request the local FMS to undertake an ex-post review (in case the project is Audit Exempt) <sup>5</sup> and to complete an Ex-post Review Report and send these to GEF FMS. Simultaneously, Country Officer / TTL sends a letter to OFP asking them to fill out a final Withdrawal Application for attachment to the financial report for submission to the GEF. Financial report format is the same format as the Interim Financial Report (IFR) attached to the Disbursement Letter.
26.	In case where an Audit Report is agreed by OFP for submission at the end of project, OFP should send the report that is prepared by an auditor when ready, plus a financial report and final Withdrawal Application to the Country Officer / TTL. If an audit exemption has been granted, OFP sends only the financial report and the Withdrawal Application to the Country Officer / TTL who in turn forwards these to GEF FMS for review.
27.	FMS will liaise with local FMS for the review of the financial report and coordinate the input of financial information into the Bank's ARCS (Audit Report Compliance System) to complete the closing process.
28.	FMS will send the financial report and Withdrawal Application to LOA (CTRDM) who will review and upon satisfaction of all the information, LOA will notify Country Officer / TTL on the final status of disbursements, including the amounts disbursed for each category and the remaining balance, if any. <sup>6</sup>
29.	Upon receipt of the notification of disbursement status and closing of the account from the Bank's Finance Officer, Country Officer / TTL prepares a closing notification and sends it to OFP with copy to the Bank's Country Management Unit (CMU).
30.	Lastly, Country Officer / TTL completes the Letter of Representation which is done on an annual basis for each child trust fund. <sup>7</sup>

<sup>4</sup> Note that the IFR should be submitted together with the Request for Withdrawal Application, even though no withdrawal is requested. The withdrawal application also serves as the reporting document that accompanies the IFR.

<sup>5</sup> For those countries that got audit exemption, the FMS should make arrangement with local FMS to undertake a review of all financial transactions, including funds paid to consultants, expenses incurred in the preparation of the report and examine all evidences (such as official receipts, etc) to ensure that the funds are used in accordance with the intended use of the grant and follows the disbursement policy of the World Bank.

<sup>6</sup> If there is a balance, i.e., not all funds were used, the balance will need to be refunded to the Bank before closing can take place.

## Annex II: Processing steps for the National Portfolio Formulation Exercises (NPFEs) under the Ancillary Expense Agreement Policy (AEA)

1. At the request of the Operational Focal Point (OFP), indicating his interest in undertaking an NPFE, the NPFE team sends the application package to the OFP. The application package includes the letter to the OFP, providing the summary of the NPFE exercises, <sup>8</sup> NPFE proposal template and instruction for filling the forms. In the meantime, NPFE team engages in consultation with the country to provide further clarifications on the application.
2. Upon receipt of application, the NPFE program manager reviews the proposal, ensures that the budget and proposed activities are in line with the objectives of the NPFE and, as necessary, discusses with the OFP possible revisions to the budget or seeks any needed clarification.
3. Simultaneously, PM/TTL should do the following: <ul style="list-style-type: none"> <li>a) <u>within</u> GEFSEC, load the relevant information into the PMIS to obtain a PMIS ID number for each NPFE;</li> <li>b) send the final NPFE proposal to Beatrice so she can create an IO number;</li> <li>c) <u>via</u> <b>SAP</b>, and using the IO#, prepare the <b>Grant Funding Request</b> (GFR). The GFR has to be sent, approved and released by the appropriate staff within GEFSEC with proper profile in the SAP.</li> </ul>
4. When the proposal and budget are considered acceptable, the TTL prepares the Ancillary Expense Agreement (AEA) <sup>9</sup> and have CEO signed the Agreement.
5. The NPFE team sends the signed AEA, together with Attachment 2 <sup>10</sup> “Request for Grantee ID” to the client either directly or via WB Country Office, depending on the preference of client.
6. Upon receipt of countersigned agreement, NPFE team should do the following: <ul style="list-style-type: none"> <li>a) scan the original signed agreement and save it in IRIS/WBDocs;</li> <li>b) send the original signed agreement to LEG;</li> <li>c) send a scanned copy of the countersigned agreement to TACT to request activation of the child trust fund account;</li> <li>d) upon receipt of message from TACT on the activation of the child trust fund, TTL should send to Beatrice the following: <ul style="list-style-type: none"> <li>(i) TACT activation confirmation email;</li> <li>(ii) a scanned copy of the countersigned AEA so she can request ID to process the Accounts Payable for disbursement;</li> <li>(iii) the approved GFR TF number; and</li> <li>(iv) a completed Attachment 3.</li> </ul> </li> </ul>
7. Upon receipt of 6(d), Beatrice to request for the fund transfer from the passthrough account to the child TF - and request payment to client’s bank account.
8. NPFE team updates the PMIS, including the event checklist and file all relevant documents in IRIS/WBDocs.

<sup>7</sup> Letter of Representation reference website:  
<http://intranet.worldbank.org/WBSITE/INTRANET/UNITS/CTR/0,,contentMDK:22593921~menuPK:60000078~pagePK:64033605~piPK:64066631~theSitePK:264274,00.html> (TFLoR) Also see Annex E.

<sup>8</sup> The letter should emphasize the importance of keeping all relevant expense records as indicated in paragraph 9 of the Ancillary Expense Agreement.

<sup>9</sup> See Attachment 1 for template.

<sup>10</sup> This form is to obtain banking information from client so we know where to send the money.

**Annex III: Countries that have undertaken the NPFE requesting financial support from the GEF (in alphabetical order)**

Antigua and Barbuda  
Armenia  
Bahamas  
Benin  
Cambodia  
Cameroon  
Chad  
Congo Republic  
DR Congo  
Ethiopia  
Fiji  
Gambia  
Ghana  
Guinea  
Guinea Bissau  
Kiribati  
Mali  
Mauritania  
Micronesia  
Mozambique  
Niger  
Nigeria  
Niue  
Philippines  
Rwanda  
Senegal  
South Africa  
Sri Lanka  
St. Lucia  
Tanzania  
Thailand  
Togo

**Countries that have undertaken programming exercises without requesting financial support from the GEF (in alphabetical order)**

Burkina Faso  
Chile  
Colombia  
India  
Kazakhstan

Kenya  
Mexico  
Solomon Islands  
Uruguay  
Vietnam