

GLOBAL  
ENVIRONMENT  
FACILITY

WORLD BANK ACCOUNTABILITY  
FOR EXECUTING AGENCY ACTIVITIES

(Note prepared by the World Bank)

GEF Council Meeting  
Washington, D.C.  
July 18 - 20, 1995

GEF/C.5/13/Rev.1  
June 26, 1995

**RECOMMENDED DRAFT COUNCIL DECISION**

The Council reviewed the paper prepared by the World Bank concerning its accountability for the activities of executing agencies working through it. The Council is of the view that the steps outlined in the paper will allow the World Bank to fulfill its accountability to the Council for GEF projects executed under its sponsorship. The Council approves the administrative budget requests presented in document GEF/C.5/13 to cover the administrative expenses which may be incurred by the multilateral development banks, the International Fund for Agricultural Development (IFAD) and the International Finance Corporation (IFC) in preparing and executing GEF-financed activities.

In accordance with paragraph 22 of the Instrument, the World Bank will be accountable to the Council for the GEF project preparation and execution activities undertaken by the executing agencies with which it will conclude the arrangements referred to in paragraph 28 of the Instrument and outlined below.

In order to ensure that it can be accountable, the Bank will satisfy itself that an executing agency can carry out project preparation and execution activities in a manner consistent with the objectives, policies and procedures of the GEF.

To determine to what extent an executing agency can ensure the necessary consistency, the Bank will undertake a review with the executing agency of:

- (a) the consistency of its practices with the rules and procedures set out by the Council and the Bank concerning the programming, administration and management of GEF resources;
- (b) the adequacy of its financial accounting and reporting mechanisms and its external audit arrangements, as well as their consistency with the requirements of and modalities implemented by the Trustee;
- (c) administrative costs for the preparation and execution of projects;
- (d) monitoring and evaluation systems and practices for investment operations;
- (e) environmental and social assessment and consultation practices; and
- (f) public disclosure policy.

Once the review has been satisfactorily completed, agreements would be jointly prepared setting out understandings covering the executing agency's relevant existing policies and procedures and, to the extent necessary, any additional undertakings which might be necessary for the executing agency to respond to GEF requirements. These agreements would aim to ensure inter alia:

- (a) cost-effectiveness of the executing agency with respect to project preparation and supervision;
- (b) rigor in the establishment and maintenance of financial records and in auditing those records;
- (c) disclosure of GEF project information;
- (d) consultation with and participation of, as appropriate, major groups and local communities throughout the project cycle;

- (e) synchronization of project processing procedures with the requirements of the GEF project cycle;
- (f) consultation with the Bank at designated stages during the processing and implementation of GEF-financed projects; and
- (g) effective monitoring and evaluation of GEF-financed activities consistent with the policy and procedures to be defined.

After finalizing the agreements, collaboration would begin modestly with a small number of projects, the emphasis being on quality rather than quantity. A greater degree of executing agency involvement could be expected to evolve as each gains successful experience with GEF operations.

### **Resource Implications of Collaboration with Executing Agencies**

At present, the elements of the arrangements described above are under discussion with the multilateral development banks (MDB). An agreement with at least one of the Banks is expected to be concluded by the end of 1995. A budget complement is therefore required to cover the reasonable administrative expenses which will be incurred by that MDB in undertaking GEF activities.

A somewhat different arrangement is envisaged with IFAD, whereby IFAD would participate in the identification and preparation of projects seeking to address land degradation in relation to at least one of the four GEF focal areas. Accountability is not an issue, as the Bank will manage and administer the joint IFAD-Bank projects as well as the related GEF funds. A collaboration agreement is well advanced and a pipeline of projects treating land degradation and desertification is under joint review. Budgetary provision is needed to cover the reasonable administrative costs IFAD will incur for its additional work on portfolio development.

The Bank also has an agreement with the IFC under which the IFC prepares and executes GEF-financed activities and takes the primary role in mobilizing private sector resources. The Bank agrees to be accountable for IFC activities in respect to GEF. In order for IFC to undertake the GEF activities which allow the Bank to fulfill its Implementing Agency mandate with regard to the private sector, the IFC requires a budget to meet its reasonable administrative costs. It is proposed that such a budget be allocated to IFC as part of a Bank Group business plan and budget. For FY96, however, such budget was not included.

The attached annex sets out the resources required to fund the MDB, IFAD and IFC expenses referred to above.

**FY96 RESOURCE REQUIREMENTS OF EXECUTING AGENCIES AND THE IFC**

**Budget Complement**

Executing Agency	Staff and Consultants	Travel	Communications	Operating Costs	TOTAL
MDBs	\$70,000	\$20,000		\$10,000	\$100,000
IFAD	\$140,000	\$40,000		\$20,000	\$200,000
IFC	\$399,500	\$25,000	\$42,000	\$46,000	\$512,500

**Outputs**

Executing Agency	Outputs
MDBs	Funds will be used to initiate the collaborative program with the Bank.
IFAD	Funds will finance pipeline development, to arrive at eligible concepts for land degradation mitigation projects. Three such projects will be developed to the stage where PDF funds will be requested.
IFC	Requested funds will cover the coordination costs associated with IFC's FY96 work program. The program envisages bringing three projects to the stage of IFC management approval, of which two will be under supervision during the fiscal year. 6 projects are expected to be under preparation. The pursuit of eligible projects and concept development also represent a large portion of IFCs's program owing to the nature of operations with the private sector.