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Agenda Item 14

**CRITERIA FOR THE EXPANSION OF  
OPPORTUNITIES FOR EXECUTING AGENCIES**

**Recommended Council Decision**

The Council reviewed document GEF/C.17/13, *Criteria for the Expansion of Opportunities for Executing Agencies*. The Council approves the criteria proposed for the selection of executing agencies that may take advantage of the expanded opportunities approved by Council in May 1999. On the basis of these criteria, the Council approves the selection of the International Fund for Agriculture and Development (IFAD) and requests the Secretariat to make the necessary legal and procedural arrangements with IFAD.

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## I. INTRODUCTION

1. Cooperation with a broad range of qualified organizations and executing agencies to promote the objectives and mission of the GEF has long been recognized as essential if the GEF is to catalyze international action to protect the global environment. There are three particular advantages of such cooperation:

- (a) Strengthening collaboration with executing agencies that have the expertise to help address a strategic need, including new or emerging areas, or with close contacts in recipient countries increases the capacity of the GEF to deliver the required projects. This will be particularly important for meeting country-driven demand for new types of activity and for meeting the guidance of the conventions, including new ones that the GEF may be called upon to serve, and for which resources will be mobilized in the third Replenishment currently being negotiated;
- (b) Expanded opportunities would increase the number of innovative interventions and diversify the experience on which the GEF as a whole can draw and
- (c) Expanded opportunities for those agencies and organizations with a capacity to co-finance and mobilize additional finance for GEF projects would leverage additional resources for the protection of the global environment.

2. In May 1999, the GEF Council reviewed document GEF/C.13/3, *Expanded Opportunities for Executing Agencies*, and approved the proposed approach for the participation of four Regional Development Banks in preparing and executing GEF projects, and for their access to PDF-B resources. These organizations are the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank. In May 2000, the Council reviewed document GEF/C.15/4, *Review of Progress in Expanded Opportunities for Executing Agencies*, and approved the same expansion of opportunities for the Food and Agricultural Organization of the United Nations (FAO) and the United Nations Industrial Development Organization (UNIDO) as executing agencies, given their specific expertise in new emerging areas for GEF activities.

3. The Council indicated that, before further expanding opportunities to additional organizations, it should first agree on more detailed criteria based on GEF business needs and then consider the proposed agency on that basis. This paper proposes criteria and proposes on that basis to expand opportunities for the International Fund for Agriculture and Development (IFAD).

## II. CRITERIA FOR THE SELECTION OF EXECUTING AGENCIES

4. Before recommending an agency to the Council for expanded opportunities, the Secretariat would undertake, in consultation with Implementing Agencies, a due diligence institutional review. Three

broad groups of criteria are proposed for the initial due diligence institutional review of agencies that are proposed for operations under expanded opportunities, drawn from the purposes of the policy set out in *Expanded Opportunities for Executing Agencies*, GEF/C.12/10. These are:

- (a) *Strategic match.* The extent to which a strategic need of the GEF can be filled by the agency acting within its comparative advantage;
- (b) *Capacity.* The capacity of the agency in the areas of relevance to the GEF; and
- (c) *Complementarity.* The potential of the agency to build global environmental concerns into its regular work program and to leverage resources and commitments from its partners.

5. After Council's acceptance of the due diligence review of an agency, the Secretariat and the agency would complete the necessary legal and procedural arrangements for it to operate under expanded opportunities. The Secretariat and the agency would also develop an associated plan for the agency's GEF operations in the area of their strategic match, which would be reviewed annually. Agencies under expanded opportunities would be invited to Council meetings.

### **Strategic Match Criteria**

6. Strategic needs of the GEF are under continuous review in the Corporate Business Plan. Specific portfolio gaps are also noted in the annual Program Status Reviews of each Operational Program. If the agency in question has distinct capacities that cover that area, there would be a strategic match.

### **Capacity Criteria**

7. The institutional capacity and effectiveness of the agency in areas relevant to possible GEF operations would be assessed. This capacity would be assessed in the following fields:

- (a) Project and portfolio management experience, special technical expertise; record on environmental, social, and sustainable development issues; and fiduciary, safeguard, and disclosure policies;
- (b) Experience with previous GEF projects, or in project management of a kind relevant to future GEF operations; and
- (c) Strength, depth, and diversity of country contact, including field presence and assistance programs

### **Complementarity Criteria**

8. The nature of the agency's regular work program would be assessed with a view to determining the extent to which future GEF projects could build upon that program and the extent to which the agency is likely to leverage resources and commitment from its partners and cofinanciers. The size of the agency's regular work program in the relevant fields and its ability to leverage resources are important considerations.

### **Reviewing Agency Commitments and Performance**

9. The depth of each agency's commitment and its past performance according to the criteria would be reviewed periodically and would be reported to Council in the Corporate Business Plan. The Corporate Business Plan would also set out the overall institutional strategy of the GEF in drawing on the comparative advantages of all its partner agencies, including the Implementing Agencies. (See Annex A for illustrative indicators that could be used for such reporting.)

### **III. PROPOSAL FOR THE ADMISSION OF *IFAD* TO EXPANDED OPPORTUNITIES**

10. The following proposal is made to include the International Fund for Agriculture and Development (IFAD) as an executing agency that may operate under expanded opportunities. Should the Council approve, the Secretariat would formalize the relationship through a Memorandum of Understanding, and the Trustee through a Financial Procedures Agreement.

11. IFAD has distinct capacities that can assist the GEF in a pressing operational concern; namely, how to meet global environmental objectives through activities that address land degradation. IFAD, together with its established executing agency partners, is well-placed to prepare and implement such GEF projects, because of its mandate in agriculture and development, its experience in addressing land degradation and environmentally unsustainable land and water management practices, its ability to manage expeditiously the small size of projects and grants typically required, and its dedication to addressing such issues in Africa. IFAD has the relevant project management experience, has a demonstrated capacity to mobilize resources for its programs, and works in cooperation with other international partners.

### **Strategic Match**

12. For many years, the Council has requested greater attention to the preparation and implementation of global environmental projects that also address concerns of land degradation. A number of steps are being taken to address this.

- (a) There is a gap in the GEF portfolio in this field.<sup>1</sup> Typically, land degradation activities are small projects. At its last meeting (November 2000), the Council stated its wish that GEF ensure its capacity and agility to manage small projects, including enabling

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<sup>1</sup> Berry, L. and J. Olson 2000. *GEF Land Degradation Linkage Study*.

activities, and to ensure that the disbursement of funds for such projects can be achieved in an efficient and timely manner. The Implementing Agencies had been requested to report on how they would do this. (see GEF/C.17/12);

- (b) Renewed emphasis is being placed on programming in smaller countries, such as those of Africa, where scope for action to combat land degradation is greatest. These countries are currently not well represented in the GEF portfolio;<sup>2</sup>
- (c) Future GEF activities to address land degradation will also most likely include capacity building that is integrated into overall capacity-building efforts for global environmental action, proposed as a result of the Capacity Development Initiative (see GEF/C.17/6); and
- (d) Land degradation cannot be seen in isolation but needs to be addressed in the broader context of integrated land and water management and sustainable development generally. The new operational programs, *Integrated Ecosystem Management and Conservation and Sustainable Use of Biological Diversity important to Agriculture*, now provide the programming tools to prepare GEF projects in this wider context.

13. While much progress has been made, far more can be done. IFAD has a comparative advantage and unique niche in this field. IFAD specializes in community-based natural resource management and poverty alleviation, with a strong focus on Africa. It undertakes dialogue and design in a participatory process. As such, it is in a unique position to link global environmental benefits through land degradation activities to poverty alleviation and development concerns. IFAD has a regular work program that focuses on activities addressing the causes of food insecurity, including land degradation and environmentally unsustainable development. IFAD mobilizes resources for these activities. To expedite delivery, IFAD makes executing arrangements at local level. In summary, the agency has the following distinct advantages in this field that GEF could use in the above approach to strengthening its own portfolio of such activities:

- (a) An ability to make local executing arrangements, which would help GEF implement small projects in a flexible way;
- (b) Target groups that are the poorest of the world's people, with an emphasis in Africa; and
- (c) A capacity to manage small grants for technical assistance and capacity building; and

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<sup>2</sup> For example, among the 38 low income countries in sub-Saharan Africa, 13 have no GEF support apart from enabling activities and participation in regional and global projects. Ten others have less than \$5 million in such support to date.

14. IFAD's programming framework is agriculture and development, and this matches well with GEF's operational programs in *Integrated Ecosystem Management* and *Agricultural Biodiversity*. It is within these operational programs that land degradation activities may be most easily identified as meeting both sustainable development goals and GEF-eligible global environmental objectives.

### **Capacity**

15. The World Bank has undertaken a due diligence review of IFAD's relevant policies and procedures on the basis of which the proposal for admitting IFAD to Expanded Opportunities is now made.

16. IFAD, a specialized agency of the United Nations, was established as an international financial institution in 1977. Since its establishment, IFAD has financed 578 projects in 115 countries and independent territories. IFAD has 161 member countries and about 290 staff. Together with its partners, IFAD strives to ensure the design and implementation of innovative, cost-effective and replicable programs with sustainable impact. There is also an Office of Evaluation and Studies (OE), an independent unit for the evaluation of the Fund's operations and policies. The activities of OE are similar to those of the Implementing Agencies, covering various project evaluations and completion reports, thematic studies, and preparation of lessons learned.

17. IFAD has collaborated with and cofinanced projects with GEF; two of the Implementing Agencies (UNDP and World Bank); several executing agencies that also operate under expanded opportunities with GEF (AfDB, ADB, IDB, and FAO); as well as many bilateral development cooperation agencies. This review is based in part on IFAD's collaboration with the Implementing Agencies, especially the World Bank. For example, in West Africa IFAD and the World Bank have established a framework for collaboration focusing on rural development strategies in eight countries. Both UNDP and World Bank, as members of the Facilitation Committee, provide strong support for the work of the Global Mechanism of the UNCCD, which IFAD hosts.

18. More specifically, through a GEF PDF-B grant, IFAD has been working with the World Bank to identify projects that meet global environmental objectives through activities that address land degradation. Moreover, IFAD's vision stresses many of the operational principles that are also used by GEF, specifically: innovativeness, cost-effectiveness, replicability, sustainable impact, and catalytic action through partnerships. Just as GEF requires projects to be country-driven, IFAD strives to meet the expectation of the poor rural people in its member states. Like GEF, IFAD is working with the corporate sector at the project level and participates in dialogue on new technologies. Importantly for possible future GEF operations, IFAD is experienced in targeting grant support. Each year, IFAD provides up to 7.5 per cent of its own committed resources for technical assistance grants to institutions and organizations (including NGOs) in support of activities to strengthen the technical and institutional capacities linked to agricultural and rural development. Grants have been provided for targeted research, for training to ensure the sustainability of development, for environmental assessment, and even for project components in exceptional cases.



IFAD maintains a special operational focus on Africa. IFAD itself was established as one of the major outcomes of the 1974 World Food Conference, and that Conference had been organized in response to the food crises of the early 1970s that primarily affected the Sahelian countries of Africa. In 1985, responding to a critical situation of famine and drought in sub-Saharan Africa, IFAD launched the first phase of its *Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification*. This program aims to mitigate the impact of drought and reversing the accelerated process of land degradation. More than \$800 million was mobilized through that program, and a second phase was launched in May 1991.

## **Complementarity**

19. IFAD's regular work program is likely to complement the GEF's through cofinancing and leverage, policy dialogue, and coordination with the activities of other international organizations.

20. IFAD has a regular work program with annual commitments of about \$500 million. IFAD's main objective is to provide direct funding and mobilize additional resources for programs specifically designed to promote the economic advancement of the rural poor, mainly by improving the productivity of both on-farm and off-farm activities. IFAD has a demonstrated capacity to leverage resources, as governments and other financing sources in recipient countries – including project beneficiaries – have contributed \$ 7.29 billion, and multilateral and bilateral donors have provided \$ 6.14 billion in cofinancing to its program.

21. IFAD is increasingly engaged in policy dialogue – working to influence policy in the interests of small-scale producers and the rural poor.

22. To promote complementarity with a wide range of UN agencies and other development institutions working on land degradation issues, IFAD hosts the Global Mechanism of the United Nations Convention to Combat Desertification. The Global Mechanism became operational in 1999, bringing together a wide coalition of interested parties to support investments in dryland areas. IFAD is also in a position to leverage additional support from organizations through its network of development partners. IFAD is a member of the finance committee of the Consultative Group on International Agricultural Research (CGIAR), and has also been a member of the Consultative Council that the CGIAR chair established to oversee a new operational focus and governance structure.

## ANNEX A

### ILLUSTRATIVE INDICATORS FOR REPORTING AGENCY COMMITMENTS

#### **Strategic Match**

23. Strategic match would be reviewed in the light of any changes in the GEF mandate or operational strategy, any emerging issues documented in the *Corporate Business Plan*, and any operational issues or portfolio gaps identified in the *Program Status Reviews*.

#### **Capacity**

24. Capacity includes operational effectiveness; institutional effectiveness -- financial efficiency, streamlined procedures, transparency, public consultation and involvement, and responsiveness to clients and stakeholders; and the ability to implement GEF financial policies. Capacity would be reviewed in the light of issues, if any, documented in any of following:

- (a) The annual Project Implementation Review (PIR);
- (b) Project Completion Reports;
- (c) Evaluations undertaken by the GEF Monitoring and Evaluation Unit;
- (d) Overall Performance Studies of the GEF; and
- (e) Audit Reports.

#### **Complementarity**

25. Complementarity would be reviewed in the light of the integration actually achieved with the agency's regular processes, the extent to which it had been able to build GEF projects on a secure foundation of its regular work program and the synergy so achieved, and the leverage it had achieved.

26. Integration would be reviewed according to:

- (a) Acceptance of and commitment to apply key GEF policies (see Annex B) having either project-level or institutional significance (in particular those concerning transparency, public involvement, financial management, monitoring and evaluation, and acting under expanded opportunities);
- (b) Incorporation of global environmental objectives into the regular work program;
- (c) Incorporation of GEF policies and procedures into the agency's regular planning, programming, budgeting, and operational processing;

- (d) Locating GEF decision-making at a high level in the agency, including GEF strategy on the agenda of its governing board, and providing timely coordination and guidance for the operating staff on GEF matters;
- (e) Providing adequate training on GEF policies, procedures, and requirements – including project logical framework analysis; and
- (f) Ensuring that staff incentives to work on GEF projects are appropriate.

27. Additionality and synergy -- or the relationship of the agency's regular work program and the GEF projects it implements -- would be revealed by:

- (a) Willingness to cofinance GEF projects implemented by the agency;
- (b) Willingness to support a regular work program that provides foundational support to the GEF projects;
- (c) Willingness to incorporate into its regular work program the follow up from its GEF projects that falls within its mandate;
- (d) Commitment to replicate, scale up, extend, apply, and disseminate any successfully demonstrated GEF innovations through its regular work program;
- (e) Collaboration where appropriate with other GEF agencies; and
- (f) Encouragement of partners to contribute their own efforts to global environmental action.

28. Leverage would be determined by:

- (a) Mobilization of additional co-managed cash resources, in addition to its own, from other organizations including the private sector;
- (b) Mobilization of additional resources, in addition to in-kind contributions, for associated or parallel operations; and
- (c) Use of the agency's reputation and influence to leverage commitment by clients and other organizations.

## ANNEX B

### GEF POLICIES TO BE APPLIED BY ALL AGENCIES

29. Executing agencies under expanded opportunities will be accountable for, among other things, implementing GEF projects in accordance with applicable GEF policies.
30. GEF policies are set out in decision papers that have gone to Council and in the associated Council decisions and understandings. Among those policies, there are certain key policies that establish or consolidate the requirements applicable to executing agencies acting under expanded opportunities. These are listed below. The Secretariat will revise this list periodically on the basis of newly established or amended policies and procedures.
31. There are three groups of policies. Each agency:
- (a) Will ensure that its internal structure and procedures make it capable of responding to the core *institutional requirements* of the GEF;
  - (b) Will be accountable for ensuring that the design and processing of each GEF project they implement are in conformity with the GEF *project procedures and criteria*; and
  - (c) Will develop with the Secretariat a plan of GEF operations responsive to the relevant *GEF strategies*.

### **Institutional Requirements**

32. Each agency must be able to respond to:
- (a) Expanded Opportunities for Executing Agencies (as amended), GEF/C.12/10; GEF/C.15/4;
  - (b) Framework and Work Program for GEF's Monitoring, Evaluation, and Dissemination Activities, GEF/C.8/4/Rev.1;
  - (c) *Fee-Based System*, GEF/C.13/11; GEF/C.15/6; and
  - (d) *Transparency*: Note that in accordance with a key operational principle set out in the Operational Strategy, all documents submitted to GEF in connection with any decision in the Project Cycle (including staff appraisal reports, supervision reports, and completion reports) may be made available to the public, particularly through the website.

## **Project Procedures and Criteria**

33. Each agency will be accountable for ensuring that the design and processing of each GEF project they implement are in conformity with the following:

- (a) GEF Project Cycle as consolidated in GEF/C.16/Inf.7, with Driving for Results: Streamlining and Balancing Project Cycle Management, GEF/C.16/5;
- (b) Public Involvement in GEF Projects, GEF/C.7/6;
- (c) Incremental Cost, GEF/C.7/Inf.5; GEF/C.14/5; and
- (d) Operational Programs (including OP#11, 12, 13), specifically their criteria for program conformity.

## **GEF Strategies**

34. Each agency will develop with the Secretariat a plan of operations responsive to the following strategies where relevant:

- (a) GEF Operational Strategy;
- (b) Engaging the Private Sector in GEF Activities, GEF/C.13/Inf.5;
- (c) Clarifying the Linkages between Land Degradation and the GEF Focal Areas: An action plan for enhancing GEF support GEF/C.14/4; and
- (d) Initial Strategy for Assisting Countries to Prepare for the Entry into Force of the Cartagena Protocol on Biosafety, GEF/C.16/4 Rev.1.