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**Global Environment Facility**

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GEF Council  
May 15-17, 2002  
Agenda Item 13

**CONSULTANT'S REPORT ON AN INDEPENDENT REVIEW  
OF THE FEE-BASED SYSTEM**

### **Recommended Council Decision**

The Council having reviewed document GEF/C.19/12, *Consultant's Report on an Independent Review of the Fee-Based System*, and taking note of the outcome, findings and recommendations of the review, requests the GEF Secretariat, in collaboration and consultation with the Implementing and Executing Agencies, to:

- (a) evaluate, develop and agree upon a revised fee structure to be applied to GEF projects, taking into account the comments made during the Council meeting and the findings and recommendations of the Consultant's Report; and
- (b) report to the Council, at its next meeting in October 2002, on the revised fee structure and related guidelines to be followed by the Implementing and Executing Agencies in providing implementation services on GEF projects.

## **TERMS OF REFERENCE FOR AN INDEPENDENT REVIEW OF THE FEE-BASED SYSTEM**

### **I. BACKGROUND**

#### **The Global Environment Facility**

1. The Global Environment Facility (GEF) is a multilateral financial mechanism, created in 1991, to promote international cooperation and foster action to protect the global environment by addressing biodiversity, climate change, international waters, land degradation and ozone depletion, within the framework of sustainable development. GEF provides grants and concessional funds to complement traditional development assistance by covering the additional costs (also known as “agreed incremental costs”) incurred when a national, regional, or global development project incorporates global environmental objectives.
2. GEF is the designated financial mechanism for two international treaties: the Convention on Biological Diversity (CBD) and the United Nations Framework Convention on Climate Change (UNFCCC). GEF is also expected to be the financial mechanism for the Stockholm Convention on Persistent Organic Pollutants (POPs). In its capacity as financial mechanism, GEF receives guidance from the Conference of the Parties to these Conventions and is accountable to them. GEF also supports the objectives of the UN Convention to Combat Desertification (UNCCD) to address land degradation. Although the GEF is not a financial mechanism for the Montreal Protocol, GEF operational policies concerning ozone layer depletion are consistent with those of the Montreal Protocol and its amendments. For international waters, GEF operational policies take into account numerous relevant international treaties and conventions.
3. The GEF was first initiated as a Pilot Phase in 1991. The Restructured Global Environment Facility became operational in 1994, with a pledged core fund of US\$2 billion. At the Second Replenishment in 1998, US\$2.75 billion was pledged for the next replenishment period. To date, with a membership of 168 governments, the GEF's mandate continues to evolve, with increasing additional attention to desertification, deforestation and persistent organic pollutants. Since its creation, and as of June 30, 2000, GEF has committed \$3.42 billion in grants to over 900 projects in 156 developing countries and transitional economies.
4. The GEF is governed by a Council, which consists of 32 Members representing constituencies from developing and developed countries, and countries in transition. Organizationally, GEF comprises six functional units. The GEF Secretariat (GEF Secretariat) provides central corporate management of institutional relations, program development and coordination, outreach and communications, financial management and monitoring and evaluation. The GEF Trust Fund Trustee responsibilities are assumed by The World Bank. The Scientific and Technical Advisory Panel (STAP), is an advisory body providing scientific and technical advice. Three Implementing Agencies (Implementing Agencies) - the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP) and the World Bank (IBRD) – implement projects funded by GEF project grants. Recently, in FY00,

the Council approved an initiative that allowed other multi-lateral banks and development agencies, which met certain established organizational and operational criteria to provide implementation services on GEF-funded projects. Such agencies (EAs) under the “Expanded Opportunity Initiative” include the Asian Development Bank (ADB), the African Development Bank (AfDB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IADB), the International Fund for Agricultural Development (IFAD), the U.N. Food and Agriculture Organization (FAO), and the U.N. Industrial Development Organization (UNIDO).

### **The Implementation of a Fee-Based System**

5. GEF-funded projects are implemented by any of the three Implementing Agencies and the seven EAs, individually or jointly. On a per-project basis, each agency is compensated for its performance of project cycle implementation services, as summarized in Attachment 1. Previously, the Implementing Agencies’ costs of implementing GEF projects were provided for and approved annually both as project-direct and project-indirect costs in GEF’s annual Corporate Budget. In May 1999, the Council approved the introduction of a Fee-Based System for the compensation of Implementing Agencies for their implementation of GEF projects (see [http://www.gefweb.org/COUNCIL/GEF\\_C13/doc/C13\\_11.doc](http://www.gefweb.org/COUNCIL/GEF_C13/doc/C13_11.doc) Council document GEF/C.13/11: *Proposal for a Fee-Based System for Funding GEF Project Implementation*). Under the Fee-Based System, on Council/CEO approval of a project, an IA would be assigned a project implementation fee that is intended to cover the implementation costs of that project over the life-time of the project (most projects are implemented over several years). This fee is based on a flat-fee structure that recognizes four standard GEF project types (i.e., full-size investment, full-size technical assistance, and medium-sized projects, and enabling activities). The approved Fee-Based System became effective July 1, 1999 and was applied to all GEF projects from FY00.

6. When approving the Fee-Based System, Council requested GEF Secretariat to carry out a benchmarking review of GEF’s fee structure against the project implementation costs of comparable development agencies, including regional development banks, aid and development agencies, multilateral funds, and non-governmental organizations. The primary objectives were to determine: (a) the reasonableness and appropriateness of GEF’s flat-fee structure; and, (b) the efficiency and effectiveness of GEF’s financial management of its project implementation costs. This was completed in August and September 1999; and the findings were provided to Council in May 2000 (see [http://www.gefweb.org/COUNCIL/GEF\\_C15/GEF\\_C15\\_Inf.7.doc](http://www.gefweb.org/COUNCIL/GEF_C15/GEF_C15_Inf.7.doc) Council document GEF/C/15/Inf.7: *Report on a Benchmarking Review of Implementing Agency Fees*). The review confirmed that GEF’s project cost management practices were adequately and effectively methodical, rigorous and demanding; and, that GEF’s flat-fee structure is neither unreasonable nor inappropriate.

7. In May 2000, GEF Secretariat also reported to Council on the first-year experience with the implementation of the Fee-Based System. The report discussed the primary issues encountered and presents proposals with the objective of enhancing and reinforcing the Fee-Based System as the primary mechanism for reimbursing an Implementing Agency’s project

implementation costs (see [http://www.gefweb.org/COUNCIL/GEF\\_C15/GEF\\_C15\\_6.doc](http://www.gefweb.org/COUNCIL/GEF_C15/GEF_C15_6.doc) Council document GEF/C/15/6: *Report on the Implementation of the Fee-Based System*). It was decided to continue operation of the Fee-Based System in its existing form to gain more experience; and to revise it, if appropriate, after three years of experience, as agreed on initial implementation of a fee structure.

8. The Fee-Based System was originally applied to the three Implementing Agencies (i.e., IBRD, UNDP, UNEP). With the recent introduction of the EAs, it is anticipated that these will also be compensated under the same Fee-Based System as the Implementing Agencies, for performing project implementation services on GEF projects

## **II. PROPOSED INDEPENDENT REVIEW OF THE FEE-BASED SYSTEM**

9. When the Fee-Based System was designed, it was agreed between the Implementing Agencies and GEF Secretariat, and later confirmed by Council approval, that the fee structure would be reviewed after three years of experience. This was deemed as allowing sufficient experience with the operation of a Fee-Based System; and, based on lessons learned, to determine if (a) a Fee-Based System will continue to be used; and (ii) the current fee structure will need to be revised. The current fiscal year is the third year of operation of the Fee-Based System. Based on this review, if appropriate, a revised fee structure would become applicable from July 1, 2002.

10. In approving the implementation of the Fee-Based System at its May 2000 meeting, Council requested GEF Secretariat to prepare "...financial management reviews of the Implementing Agencies' costs..." and to "...organize an independent review of selected projects..." Other critical workprogram priorities and a lack of resources have delayed these, which have not yet been carried out to date.

11. These Terms of Reference establish the objective, scope and execution of an independent review of GEF's Fee-Based System (the Fee Review).

### **Objective of Fee Review**

12. The Fee Review should achieve the following objectives that would provide a sound and viable framework for the future application of a Fee-Based System, taking into account the experience so far and the recent introduction of the EAs:

- a) an assessment of the impact of the Fee-Based System upon efficiency and effectiveness of project implementation and project cost management;
- b) a validation of the current flat-fee structure and the respective IA's primary driver components (i.e., project cycle staffweek coefficients, fully-loaded staffweek cost) used in the computation of their project implementation costs; and

- c) a proposal for a revised fee structure/formula or enhancements to the current fee structure, if necessary, to be applied to all GEF projects, approved from July 1, 2002, for which the Implementing Agencies and EAs provide project implementation services.

### **Scope of the Fee Review**

13. The Fee Review will address the following primary aspects of the Fee-Based System, addressing the component issues involved:

- i. The Modality of a Fee-Based System

- (a) The appropriateness and applicability of a Fee-Based System as a modality for compensating project implementation services.
- (b) The design and operation of the Fee-Based System.
- (c) The impact and implications of the Fee-Based System upon GEF's operational and financial framework, e.g., corporate budget, project preparation grants, project grant allocations, executing agency fees, etc.
- (d) The Implementing Agencies' and EAs' policies and practices governing internal distribution, accounting and reporting of the fees received; including detailed reviews of at least 3 projects from each agency.

- ii. The Current Flat-Fee Structure

- (a) The appropriateness and application of the current flat-fee structure.
- (b) The construction and computation of the current flat-fee structure, e.g., fully-loaded staffweek cost, project cycle staffweek coefficients.

- iii. Proposal for a Revised Fee Structure

- (a) The implications of GEF's project portfolio and workprogram profile
- (b) Identification of defined project implementation services by Implementing Agencies and EAs.
- (c) Definition of common standard project implementation services.
- (d) Computation of each respective Implementing Agencies' and EAs' component cost drivers to be used in a revised fee structure

## Conclusions, Findings and Recommendations of Fee Review

14. The Fee Review will prepare a comprehensive and detailed report addressing the objectives and scope outlined above, and discussing the issues and outcome of the review. The report should also present general conclusions, specific findings and recommendations to the GEF.

### Proposed Timetable

15. The Fee Review's schedule is referenced to the award of the Fee Review contract after the December 2001 Council meeting and to the May 2002 Council discussion of its findings and recommendations; as follows:

Activity	Date
Commencement of Review, initial briefings	mid-January 2002
Meetings and discussions with GEF Secretariat, Implementing Agencies, EAs	January 2002 – March 2002
Mid-Review Progress Discussion	February 15 <sup>th</sup> 2002
Draft report	March 26 <sup>th</sup> 2002
Final Report	April 9 <sup>th</sup> 2002

Importantly, it should be noted that the review has to maintain the above schedule, which has an inflexible deadline. Specifically, the final outcome of the Fee Review has to be ready and complete for presentation to Council for discussion and approval at its May 15<sup>th</sup> – 17<sup>th</sup>, 2002 meeting so that any proposed revised fee structure, if accepted, can be applied to GEF projects approved in FY03 (i.e. from July 1, 2002)

### Execution of Fee Review

16. An independent consulting firm (the Firm) will be selected to carry out the Fee Review. The Firm will be appointed by a committee comprising of the GEF Assistant CEO, the GEF Corporate Finance Manager and representatives from the Implementing Agencies; in accordance with the Terms of Reference approved by the GEF Council and in consultation with the GEF CEO/Chairman. During the Fee Review, the Firm will be accountable to the GEF Secretariat, through the Corporate Finance Manager. The Fee Review will, organizationally, encompass GEF Secretariat, the GEF Implementing Agencies and the newly designated Expanded Opportunity Agencies.

17. GEF Secretariat will provide to the Firm, at the commencement of the review, all additional information, data and documents deemed essential and necessary to enable the Firm to properly understand the organization and operations of the GEF. The Firm will familiarize itself with all relevant policies, guidelines and processes pertaining to GEF project cycle; GEF financial management framework; project direct, implementation and execution responsibilities;

and all related documents and material. Relevant staff of the GEF Secretariat and Implementing Agencies will also make themselves available at the commencement and throughout the review to address any queries and provide any explanations. The Firm will be expected to visit and to meet with involved management and staff of GEF Secretariat, the three Implementing Agencies and the seven EAs; specifically, IBRD/IFC (Washington DC), UNDP (New York), UNEP (Nairobi), EBRD (London), IADB (Washington DC), ADB (Manila), AfDB (Abidjan), FAO (Rome), IFAD (Rome), and UNIDO (Vienna).

18. The Firm's Project Manager of the Fee Review will have primary responsibility for managing the Fee Review and for preparing and drafting the final report. She/he should have strong experience in leading a team as she/he is responsible for operationalizing and implementing the review. She/he must have excellent knowledge and understanding of financial, budgetary and cost management principles and practices; project management and finance; and organizational structures and accountabilities.

19. The Firm's Fee Review Members will also have a sound knowledge and understanding of financial, budgetary and cost management principles and practices; and experience with project management and project finance. The following minimum qualifications and expertise are required from each team member:

- Masters degree or higher in financial, budgetary or business management;
- a minimum of 10 years of experience in finance, management, auditing and cost management;
- excellent analytical skills;
- experience with multilateral or national development programs;
- capacity to work effectively work in a team;
- excellent writing and communication skills in English; and
- ability and readiness to work in multicultural environments and to travel internationally.

20. The Firm's Project Manager will have primary responsibility for and will be expected to carry out the core substantive discussions, deliberations and analyses. For performing any required data analyses at the offices of the Implementing Agencies and EAs referred to in Paragraph 17, the Firm is encouraged to optimally utilize appropriately qualified and experienced staff from their organization's relevant local and regional offices.



## PROJECT IMPLEMENTATION SERVICES

An Implementation Fee is assigned to an agency for the provision of implementation management services in respect of a GEF-funded project. These services cover the management and administration of all project-cycle tasks and activities during all phases of a Project from concept to closure (i.e., development, preparation, appraisal, supervision and evaluation). The GEF project cycle is discussed in greater details in the document GEF/C.16/Inf.7 “GEF Project Cycle”; the project-cycle tasks/activities are summarized generally below.

### Development

- development of project concept (*with or without PDF funds*)
- presentation for Pipeline Entry
- Preparation
- preparation of detailed feasibility study and project design, which are presented in a project proposal, the Project Brief (*typically with PDF funds*)
- presentation of Project Brief for CEO approval (Medium-Sized Projects, Expedited Enabling Activities) or Workprogram inclusion for Council approval (Full-Sized Projects)

### Appraisal

- finalization of the project’s design, implementation plan/time-table, detailed budget/cost estimates, in-country negotiations, etc.
- preparation of project appraisal and relevant legal documents
- presentation of project appraisal and final project proposal for CEO endorsement; and negotiation/agreement of Implementation Service Fee (*release of grant and implementation fees*)

### Supervision

- supervision of the project implementation (including procurement/disbursements)
- project cost-management and reporting
- project progress review and reporting
- preparation of appropriate interim evaluations and reviews, in accordance with agency’s operational policy/practice
- preparation of annual Project Implementation Review (PIR)

### Completion and Evaluation

preparation of project completion report and/or project completion/termination evaluation, in accordance with agency’s operational policy/practice.

***Independent Review of the Global  
Environment Facility's Fee-Based System***

***Final Report***

***April 17, 2002***

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# Executive Summary

### Project Background and Objectives:

- The current Fee-Based System was approved by the Global Environment Facility (GEF) Council in May 1999, for compensating Implementing Agencies (IAs) for implementation management services and was applied to GEF projects beginning in FY00
- In FY00, the Expanded Opportunity Initiative was approved. Subsequently, seven multi-lateral regional development banks and developmental organizations, known as the Executing Agencies (EAs), were cleared to provide GEF project implementation management services under the Initiative.
- It was agreed upon the approval of the Fee-Based System that an independent review of the Fee-Based System would be conducted within three years
- In November 2001, the GEF Secretariat conducted a competitive procurement process to select a firm to carry out the Independent Review of the GEF's Fee-Based System; Deloitte & Touche, LLP was selected to begin its review in January 2002.
- The objectives of this review, as described in the Terms of Reference, were to:
  - Conduct an assessment of the impact of the Fee-Based System upon the efficiency and effectiveness of project implementation and project cost management;
  - Conduct an assessment and validation of the current flat-fee structure and the respective IAs' primary cost driver components (i.e., project cycle staffweek coefficients, fully-loaded staffweek cost) used in the computation of their project implementation costs; and
  - Develop a proposal for a revised fee structure, if warranted, based upon findings and conclusions of the assessments described above

### **Project Activities Included:**

- Finalization of the Engagement Plan with the GEF Secretariat and initiation of the Project
- Conducting interviews with GEFSec, Implementing Agency, and Expanded Opportunity Agency management and staff
- Reviewing Agencies' financial and operational documentation on GEF project implementation costs and calculation and accounting for fees
- Financial analysis to validate the current fee calculation and structure
- Preparing the Draft Report
- Submitting the Draft Report to IAs and EAs for comments
- Completing the Final Report for submission the GEF Council

**A summary of the review methodology is provided in Appendix A**

**A list of GEFSec and Agency interviewees is provided in Appendix B**

## Findings and Recommendations:

1. In comparison to the annual Corporate Budget project-direct cost allocation method that was used prior to FY00, the modality of the Fee-Based system was found to be beneficial in improving fee determination process transparency and understanding of Implementation Services costs, including
  - ◆ Fixed project fee rates were established and fee premium or adjustment requests required project specific justification; and
  - ◆ Project fees represented full project lifecycle fees, rather than yearly increments of project fees for the annual budget.
2. The flat fee structure, with flat or “average” fees determined by project type, was not implemented as originally envisaged. Several adjustments to the fee determination process have been made, including:
  - ◆ Accepting project fee premium requests from the IAs or making flat fee adjustments when individual project’s management needs differed from the “average” project need assumption (i.e., outlier projects), typically due to project duration, geographical scope, complexity or other management cost driver;
  - ◆ Reallocation of fees among the IAs’ Work Program projects to establish a more relevant relationship between fees and GEF grant size; and
  - ◆ Adjusting fees for other special cases including joint project implementation by two IAs.



### Findings and Recommendations (Cont.):

3. While the flat fee structure is the preferred basis for compensation by the three IAs and two of the EAs, five of the EAs preferred a fee determination process that would take into account project specific characteristics and needs
4. In its current form, the Fee-Based System has some issues, including:
  - ◆ Fee adjustments have been made frequently for full-size projects (e.g., 51% of the full-sized projects approved since FY00);
  - ◆ The fee premium request, negotiation and adjustment processes has resulted in a fee system with adjustments and a hybrid fee structure that is partly flat and partly project-specific;
  - ◆ The average fee percentage of grant value across all GEF projects has increased from 8.2% in FY00 to 10.0% in FY02 due to GEF project portfolio characteristic changes that are difficult to isolate and manage accordingly; and
  - ◆ Due primarily to differences in IA cost accounting approaches, it is not currently possible to specifically reconcile the fees paid to the IAs under the flat fee system with IA project needs.
5. The original flat fee cost component computations appeared to be reasonable, however:
  - ◆ Supporting data validating the computations was limited; and
  - ◆ IA project portfolio characteristics have changed since FY00. Some of the assumptions used to derive the original cost components are no longer appropriate and the existing fee levels do not reflect the implied current IA project portfolio costs.
6. Several options for revising the Fee-Based System were identified and discussed with the GEFSec and IAs, however, due to the short timeframe available for discussion and consensus building, implementation details concerning those alternatives could not be addressed by all of the parties involved
7. Options for continued discussions and consideration are identified and rated in Table 1 – Implementation Services Fee Options, with tentative ratings against evaluation criteria based upon the review team’s experiences with other fee-based organizations

## Findings and Recommendations (Cont.):

**Table 1 – Implementation Services Fee Options**

<b>Project Implementation Services Fee Structure / Approach</b>	<b>Transparency of the Fee Determination Process Through Accurate Definition, Identification and Categorization of Costs</b>	<b>Accountability for Project Output and Performance by Establishing Relationships between Work Program Delivery Outputs and Delivery Costs</b>	<b>Allow for the comparability of Project Implementation Cost Performance Among the IAs, GEF and External Agencies</b>	<b>Provide Predictability and Stability of GEF Funds</b>	<b>Promote Projects with High Potential Global Environmental Impact, Including Higher Risk Innovative Projects, Consistent with the GEF Mission</b>	<b>Provide Reasonable, Equitable and Fair Compensation to the Agencies to Support Adequate and Successful Project Implementation Services</b>	<b>Limit the transaction costs of the fee determination and administration process</b>	<b>Ease of Implementation</b>
<b>Flat Fee</b>	Low at project level  Moderate at portfolio level	Low	Low to Moderate	High	Low at project level  Moderate at portfolio level	Moderate	High	High
<b>Percentage of GEF Grant</b>	Low at project and portfolio levels	Low	Low	High	Moderate at the project level  Moderate at a portfolio level	Moderate	High	High
<b>Parametric Model</b>	Low at project and portfolio levels	Low	Low to Moderate	High	Moderate at the project level  Moderate at portfolio level	Moderate	High	High
<b>Project Fee Negotiation</b>	Moderate to High at project and portfolio levels	Moderate to High	Moderate	High	Moderate to High at the project and portfolio level	High	Low	Low

### Findings and Recommendations (Cont.):

8. It is recommended that additional discussions be conducted between the GEFSec and the Implementing and Executing Agencies to focus on the best approaches and perform the necessary planning for implementing an improved Fee-Based System
9. Due to the inherent differences between the volume of projects that the IAs manage versus the expected number of individual EA projects, dual approaches may be advisable to ensure that EAs' small portfolio needs are met while IA transaction costs are kept low for their large portfolios
10. The remainder of this report presents the review findings and recommendations at a greater level of detail in the order of the review Terms of Reference, including reviews of:
  - ◆ Modality of a Fee-Based System;
  - ◆ The Current Flat Fee Structure; and
  - ◆ Proposal for a Revised Fee Structure.

To track the required components of the Terms of Reference, each Section in this document is prepared as a “stand alone” section and is preceded by a Summary of Findings and Observations. As a result, some duplication of information across the three Sections may be encountered.

# **I. Modality of a Fee-Based System**

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## **I. Modality of a Fee-Based System**

### **Summary of the Modality of the Fee-Based System Findings and Observations:**

- 1. The modality of the Fee-Based System was appropriate for providing Implementation Services compensation to the Implementing Agencies (i.e., separating the project management fee from the grant funding and annual corporate budget funding of the IAs);**
- 2. The design and operation of the Fee-Based System was found to have sound characteristics, however, the flat fee determination process had certain issues identified;**
- 3. Impacts and implications of the Fee-Based System upon the GEF's operational and financial framework have had both positive and negative influences;**
- 4. IA and EA accounting and reporting processes are significantly impacted by project cost accounting approaches and capabilities. The three IAs are not yet completely able to demonstrate the total incremental costs of providing Implementation Services for GEF projects or GEF components of blended projects. This is primarily due to the fact that each of the Agencies' cost accounting systems are structured to meet the internal management and accounting needs. Those needs do not necessarily include being able to fully capture costs for projects, such as GEF projects, that may be implemented on a global basis. As a result, it is difficult for the IAs to fully capture and demonstrate the total costs of Project Implementation Services at a project or portfolio level.**

## I. Modality of a Fee-Based System

### A. Appropriateness and Applicability of a Fee-Based System

- The Fee System was regarded as an effective vehicle to provide compensation for Project Implementation Service (i.e., management) costs related to project development, preparation, implementation supervision, and completion and evaluation. In comparison to the annual budget request system that preceded the Fee System, the Fee System has had several beneficial effects, including:
  - Improved level of transparency in the project management services funding process with the use of a structured fee determination process at project approval;
  - Increased level of transparency in, and the differentiation between, IA needs for GEF funds for project management “direct costs” versus non-project specific “corporate management costs”;
  - Improved predictability of GEFSec funding requirements and financial management of GEF commitments with total commitments established at project approval; and
  - Operational incentives for the Agencies to plan for full project life cycle management needs and corresponding costs during project development and preparation.
- Overall, the Fee System has helped the Implementing Agencies and the GEF build a better understanding of project cost drivers and behavior by life-cycle phase, and improved the planning processes and capabilities

## I. Modality of a Fee-Based System

### B. Design and Operation of the Fee-Based System

- **Five elements of the design and operation of the Fee-Based System were discussed throughout the Review process:**
  - **Classification of Project Implementation Services and Costs;**
  - **Total Fee Payment at Project Approval;**
  - **Fixed Fee for Life of Project;**
  - **Level of Administration; and**
  - **Project Fee Determination Process.**
- **Classification of Project Implementation Services and Costs**
  - **The ten Agencies were found to have widely varying business models and practices as:**
    - A global development bank and investment agency;
    - Regional development banks; and
    - Development agencies with varying areas of thematic and developmental focus.
  - **The ten Agencies were also found to have widely different areas of comparative strengths (e.g, project management capacity, local or regional project resources, thematic experience and technical depth) and correspondingly different value added managerial roles on GEF projects, including:**
    - Coordination;
    - Facilitation (with or without technical intervention); and
    - Execution supervision.
  - **The first draft of the GEFSec list of “Program Implementation Services” was found to focus on administrative reporting and interaction with the GEFSec which are common to all projects. However, that draft does not address all of the activities frequently required to manage GEF projects.**

## I. Modality of a Fee-Based System

### B. Design and Operation of the Fee-Based System (Cont.)

- **Examples of other Project Implementation Services include:**
  - Project specific country or agency dialog building;
  - Project technical design and backstopping; and
  - Conducting or participating in thematic or stakeholder meetings or conferences.
- **As the level of project management intervention can vary among projects and Agencies based upon their comparative strengths and advantages, the classification of Implementation Services should not preclude alternative approaches to efficient project management**
- **The draft list of Project Implementation Services should be expanded to explicitly address the other prudent direct project management functions that the Agencies perform**
- **A recommended list of Project Implementation Services is included in Appendix C**
  
- **Total Fee Payment at Project Approval**
  - **Some of the EAs expressed concern and cited internal conflicts (e.g., charter prohibitions) with investing or risking Agency efforts or funds prior to receipt of project funds (i.e., following GEF project approval)**
  - **Many of the Agencies, however, also expressed their understanding of the value of the system in ensuring pipeline project quality and Agency seriousness in the project development and preparation**
  - **It is recommended that the GEFSec continue its efforts to address the concerns of the individual Agencies with conflicts, but maintain the pipeline quality control incentives in the development of projects**



## I. Modality of a Fee-Based System

### B. Design and Operation of the Fee-Based System (Cont.)

- **Fixed Fee for Life of Project**
  - The only concern expressed in this area involved overall project implementation financial risks associated with future support requirement for innovative and long-term projects
  - No changes are currently recommended to this process
- **Level of Administration**
  - It was generally agreed by the IAs that the Fee System was relatively low in administrative requirements (i.e., average transaction costs)
  - The process of proposing and negotiating IA project fee premiums, however, appeared to be a relatively time consuming process
- **Project Fee Determination Process**
  - Issues with the current flat fee determination process were cited by the IAs and the GEFSec management
  - All three IAs and two of the seven EAs expressed their desires for a flat fee determination process that was capable of considering on an infrequent, exception basis, the support needs of individual (i.e., outlier) projects
  - The other five EAs expressed their desires for a process that attempted to match project management costs and fees on a project-by-project basis rather than a portfolio or “average” flat fee basis
  - The fee determination process is discussed in Section II – “The Current Flat Fee Structure” of this Report

## I. Modality of a Fee-Based System

### C. Impacts and Implications of the Fee-Based System

- The fee system has led to varying levels of improved planning of project Implementation Services by the three Implementing Agencies as fees are fixed for the life of a project
- Some Agencies indicated that due to restrictions placed upon uses of PDF funding, they have the incentive to contract with out-of-house consultants rather than use in-house resources that would consume flat fee income. While this has generally been satisfactory for the IAs, those restrictions on PDF funds may not be appropriate for the EAs going-forward, as the EAs provide significant GEF project development and preparation services with their in-house staff.
- It was observed that under the flat fee system, the recipient IAs implement processes for allocating funding for Project Implementation Services that is based upon project specific needs and is substantially independent of the flat fees provided for each project
- Overall, the Fee-Based System has brought improvements in providing some level of transparency to the general costs of GEF project management through the fee allocation process and encouraging the IAs to evaluate total project life-cycle management cost estimates in relation to the flat fee structure
- However, some IAs indicated that the Fee-Based System and the fixed flat fee structure has also had unintended impacts of providing disincentives to propose large full-size projects, or projects that are technically complex or innovative and may involve moderate or high implementation supervision risk

### D. Implementing and Executing Agency Accounting and Reporting Processes

- **Practices Governing Internal Distribution and Management of Fees**
  - The practices governing the internal distribution and tracking of Implementation Services Fees varied significantly among the ten Agencies (with most of the Expanded Opportunity Agencies speaking prospectively on how they will manage GEF fee funds as they have yet to receive any direct fee income from the GEF)
  - Some Agencies maintain a close relationship between fee funds received under a program and the project activities conducted in support of that program
  - Other Agencies did not have a direct relationship between the fee funds received for a program or project and the resources applied to the program or project (e.g., income credited to a general organizational income account and project management resources funded through departmental budgeting)
  - Regardless of the level of the relationship and tracking of fee income and services provided, each of the Agencies fundamentally applies the managerial resources to each project that they feel are required to ensure an adequate outcome (i.e., fee income at the project level does not appear to directly constrain the management resources allocated to a project)

### D. Implementing and Executing Agency Accounting and Reporting Processes (Cont.)

- **Status of Cost Accounting Capabilities and Practices**
  - **Each one of the ten Agencies is in the process of significantly enhancing their project cost accounting capabilities due to donor or assessed organization requests for greater Agency accountability**
    - Some of the Agencies are undergoing significant financial management systems upgrades or implementations such as implementation of cost accounting modules, while others are developing their cost accounting processes for implementation with existing systems or system modules
    - While all of the Agencies appear to be capable of collecting direct, out-of-house cost data assigned to each project for Implementation Service activities, their systems differ in terms of their abilities to collect time charges to projects and activities and deriving fully loaded staff costs for each project
  - **The IAs also noted that they currently do not formally forecast implementation costs by project because it is not specifically required by GEFSec under the Fee-Based System, and because it is difficult to do**

# I. Modality of a Fee-Based System

## D. Implementing and Executing Agency Accounting and Reporting Processes (Cont.)

- **Review of IA Projects**
  - **Implementation Service Activities**
    - All projects reviewed reported completing project implementation service activities that met GEFSec baseline requirements
    - In addition, many projects reported completing additional activities, which were often specific to either their business (e.g. the presence or absence of extensive safeguard compliance requirements) or service delivery model (e.g. technical backstopping), that were classified as implementation service activities and project managers believed should be compensated for under the Fee-Based system
  - **Project Accounting and Reporting**
    - The IA for each project reviewed had a system and process implemented (to different levels of capability and detail) for accounting and reporting on project specific implementation service time and resource consumption
    - Each IA was able to provide system reports demonstrating direct time and labor costs associated with project implementation service delivery, however there were systematic issues with data completeness and accuracy, specifically in the areas of:
      - System support (i.e. whether the cost accounting application was capable of capturing all staff time charges and other allocated charges); and
      - Data entry completeness and accuracy (i.e., whether there was a culture of accurate data recording within the Implementing Agency).
    - IAs cost accounting applications are not set up to demonstrate the full incremental cost associated with Project Implementation Services with a high degree of precision. This was due to the IAs' cost accounting systems not being able to fully account for direct implementation service staff costs, indirect staff costs, other indirect costs, or all three.
    - In addition, the absence of documented classifications for certain management activities appeared to result in some projects not maintaining clear distinctions between project implementing agency and executing agency activities (and therefore expenditures)

## **II. The Current Flat Fee Structure**

<b>Summary of Findings and Observations</b>	<b>29</b>
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▪ <b>Current Flat Fee Structure Cost Component Computations</b>	<b>32</b>

## II. The Current Flat Fee Structure

### Summary of Findings and Observations:

1. **Issues with the current flat fee system have been identified. These include:**
  - The “average” project fee determination approach is not necessarily appropriate for Expanded Opportunity Agencies that lack large project portfolios upon which to pool fee funds and allocate the funds to projects based upon needs;
  - The flat fee process was not intended to reflect individual project cost drivers, however, project specific cost drivers have resulted in numerous requests for fee premiums or increase adjustments (i.e., approximately 39% of full-sized projects since FY00) and some fee discounts (i.e., approximately 12% since FY00); and
  - The GEF project portfolio fee percentage of grant value has increased since FY00 due to GEF project portfolio characteristic changes.
2. **While the original flat fee cost component computations appeared to be reasonable:**
  - Supporting data by which to validate the computations was limited; and
  - Since the original derivation of flat fee levels based upon IA project portfolio characteristics and forward looking assumptions, IA project portfolio characteristics have changed. The result is that some assumptions used to derive the original cost components are no longer valid.

## II. The Current Flat Fee Structure

### A. Appropriateness and Applicability of the Current Flat Fee Structure

- The flat fee structure is appropriate for project portfolios that have:
  - A critical mass (i.e., number) of active projects;
  - Limited variability of project characteristics; and
  - A relatively stable portfolio characteristics and project support requirements.
- Expanded Opportunity Agencies do not currently have portfolios with a critical mass of active projects and some only plan on having small portfolios
- The process of determining project fees based upon project type classifications has been difficult as some projects have been mixed (e.g., may have both investment and technical assistance components)
- Project fee premiums, have been frequently requested by IAs when the total of the project development costs incurred, and the estimated project implementation supervision, completion and evaluation costs exceed the project classification flat fee level
- Project fees approved as a percentage of the corresponding project grants have been increasing on average from 8.2% in 2000 to 10.0% in 2002; This trend is due in-part to the to decreases in both the average duration (i.e., over five years to under four years) and grant value (over USD\$10M to under USD\$6M) for full-sized projects over that same period.



## II. The Current Flat Fee Structure

### A. Appropriateness and Applicability of the Current Flat Fee Structure (Cont.)

- Due to the difficulty in classifying projects and the need to limit the overall GEF fee percentage growth, there were important concerns with the administration of the fee structure, including:
  - There has been an apparent practice of assigning fees based upon the Agency rather than the project type or project needs as not all IAs are eligible for fees for all project types; and
  - There is not a set policy on the approval of premium or adjustment requests. Requests have often been refused or only fractionally approved, sometimes without a shared understanding of the decision basis and decision making process.
- Several project management cost drivers were identified in discussions with the IAs that may cause the management costs of individual projects to deviate significantly from the flat fee averages by project type, including:
  - Agency cost structure and internal business practices
  - Project duration practices, including project management role and approach
  - Project location (i.e., mission travel requirements)
  - Number of participating countries or separate executing agencies
  - Number of donor sources (i.e., reporting and audit requirements)
  - Technical complexity, design and backstopping requirements
  - Dialog building and maintenance requirements with stakeholders, local agencies and governments
  - Cost sharing agreements
  - Administrative reporting requirements
  - Grant value (although this was generally not regarded as a major cost driver)

## II. The Current Flat Fee Structure

### B. Current Flat Fee Structure Cost Component Computations

- **For UNDP and UNEP, cost component computations appeared reasonable based on portfolio history:**
  - Schedules and descriptive methodology supporting the original fee calculation for the agencies were provided
  - Given the Agencies' low number of completed projects at the time of development of the flat fee, costs and coefficients used in the computation based on past portfolio and forward looking assumptions appeared reasonable
  - However, detailed source data used to derive the calculations for staffweek costs and coefficients were not available at the time of the review
  - Due to incomplete information, the review team was unable to substantiate whether the staffweek costs and coefficients used to compute the flat fee structure for UNDP and UNEP appropriately presented those Agencies' historical resource requirements at the time of the development of the flat fee structure
- **For IBRD, cost component computations appeared reasonable for the original flat fee structure, based on portfolio history and forward looking assumptions:**
  - Schedules and descriptive methodology supporting the original fee calculation for the Agency were available
  - In general, sufficient supporting source data for the components of those schedules were available to substantiate the appropriateness of the cost components used to calculate the flat fee structure

## II. The Current Flat Fee Structure

### B. Current Flat Fee Structure Cost Component Computations (Cont.)

- **IBRD (Cont.)**
  - **Where estimates were employed for determination of certain cost components, those estimates were generally consistent with estimates employed by the IBRD for internal costing and therefore accepted as appropriate in the absence of empirical data**
  - **Where possible, estimates were reconciled back to published data accumulated since inception of the Fee-Based system**
  - **Given the Agency's low number of completed projects at the time of development of the flat fee:**
    - **Staffweek cost components based on existing project details and IBRD internal rates appeared appropriate for the fee calculation and generally consistent with methodologies employed by other agencies; and**
    - **Staffweek coefficient components based on project history and forward looking estimates appeared reasonable for the fee calculation.**
  - **However, some project parameters that were estimated have not attained the estimated values since the original forward looking assumptions were made. That has resulted in fee levels that have not accurately reflected the project portfolio cost characteristics (e.g., project implementation duration that had been estimated to be 7 years in the computation, has remained just over five years since FY00).**

## **III. Proposal for a Revised Fee Structure**

<b>Summary of the Proposal for a Revised Fee Structure</b>	<b>35</b>
<b>A. Objectives of a Fee Determination Process</b>	<b>36</b>
<b>B. Issues with Current Fee Determination Process</b>	<b>37</b>
<b>C. Recommendations for a Revised Fee Determination Process</b>	<b>39</b>
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### III. Proposal for a Revised Fee Structure

#### Summary of the Proposal for a Revised Fee Structure:

1. **Several options for revising the fee structure were evaluated and discussed with the GEFSec and the three IAs, including:**
  - Flat fee structure (with or without adjustments) with Agency specific fee levels based upon project type;
  - Flat percentage of grant size utilizing Agency specific rates;
  - Parametric model (e.g., equation or premium schedule) approach that utilizes a limited number of project cost drivers; and
  - Project specific fees based upon project specific Agency estimates.
2. **The primary options, along with several variations, were considered, however, due to the extremely tight timeframe for discussion, details concerning the implementation of those structures could not be fully addressed, and a consensus on a preferred method and its underlying details could not be reached**
3. **It is recommended that continued consideration and discussions take place between the GEFSec and IAs to work out implementation details on the preferred approach and address the issues with the current implementation of the Fee-Based System**
4. **The GEFSec should develop and maintain a set of enhanced key project financial metric ranges by which to compare and anticipate Project Implementation Services costs and impacts of key cost drivers; and**
5. **The GEFSec should provide the Council with a brief “Analysis of Agency Fees” report or section with each Work Program submission to:**
  - Provide key Work Program fee metrics for evaluation;
  - Describe fee trends and Work Program fee drivers; and
  - Develop an increasing level of understanding of GEF fee and direct cost impacts and trends as thematic areas of focus shift and institutional changes are implemented.

### III. Proposal for a Revised Fee Structure

#### A. Objectives of a Fee Determination Process

- Promote (i.e., do not discourage) projects with high potential global environmental impact, including higher risk innovative projects, that are consistent with the GEF Mission
- Provide reasonable, equitable and fair compensation to the Agencies to support adequate and successful Project Implementation Services for each project
- Ensure accountability for Agency project performance by providing appropriate financial resources for each project
- Provide incentives for prudent management of implementation costs and for utilization of Agencies' comparative advantages
- Ensure transparency of the fee determination and allocation process
- Improve the understanding of project cost drivers and project portfolio trends
- Control the transaction cost of the fee determination and administration process

### III. Proposal for a Revised Fee Structure

#### B. Issues with the Current Fee Determination Process

- **Some Agencies are reluctant to undertake innovative projects that involve high development and appraisal costs an/or implementation supervision risk as the flat fee may be insufficient and the outcome of the fee premium negotiations is uncertain**
- **It is not currently possible to obtain an accurate understanding of the equitability and fairness of the flat and adjusted fees between the GEF and Agencies, as project cost accounting systems within many Agencies are not specifically set up to track individual GEF implementation service costs**
- **While the standard flat fee determination process seems simple in concept, its transparency is challenged due to:**
  - **Misperceptions have been created when individual project fixed fees were not reflective of project size and conventional project financial metrics varied significantly (e.g., fee % of project grant); and**
  - **Reconciliation of Agency project management costs with approved fees is not possible with a high degree of precision (as noted above).**
- **The flat fee determination process limits the continued increases in understanding of project cost drivers, as individual project management characteristics and resulting costs are not often evaluated by the GEFSec unless fee premiums are requested**

### III. Proposal for a Revised Fee Structure

#### B. Issues with the Current Fee Determination Process (Cont.)

- Fee premiums, and sometimes discounts, are frequently requested
- The request and negotiation processes are relatively time consuming
- Agency GEF project portfolio characteristics (e.g., average project size, duration, complexity) changes are not reflected in fee level adjustments on a timely basis (e.g., annually versus tri-annually)
- Project categorizations are subjects of confusion (e.g. Investment vs. TA projects)
- Current definitions of the scope of Project Implementation Services do not include some Agency project management services that are difficult to separate from the Implementation Services definitions; these services often reflect the strength or comparative advantages that Agencies possess (e.g., technical oversight and guidance versus “implementation supervision”)
- The seven Expanded Opportunity Agencies do not have (and may never have) enough concurrent projects to manage fees effectively on a portfolio basis
- Five of the Expanded Opportunity Agencies expressed a preference for a fee determination process that recognized project specific characteristics over a flat fee structure



## III. Proposal for a Revised Fee Structure

### C. Recommendations for a Revised Fee Determination Process

- **Several alternative fee compensation approaches were considered to address the issues cited previously. Possible approaches (or themes) considered and their respective characteristics include:**
  - Flat fee structure (with or without adjustments) with Agency specific fee levels based upon project type. Primary features include:
    - Agency specific flat fee levels for each project type or category identified, based upon historical or expected Agency specific project portfolio characteristics and standard, fully burdened staff-week costs
    - Variations to this approach include the possible allowance for adjustments for individual projects that have significant management cost drivers, on an exception basis (e.g., outliers)
    - Fee levels would be adjusted periodically to reflect Agency project portfolio and management cost changes (e.g., annually, tri-annually)
  - Flat percentage of grant size (with or without adjustments and with or without audited percentage rates), utilizing Agency specific rates. Primary features include:
    - Project fees would be calculated as a percentage of the grant value, regardless of project type or other management cost drivers (e.g., duration, complexity)
    - Variations to this approach include the possible allowance for adjustments for individual projects that have significant management cost drivers, on an exception basis
    - The Agency fee rate (i.e., percentage) would be based upon Agency total portfolio project direct (i.e., grant) values and total project management costs for recent period(s)
    - Variations to this approach also may include the utilization of rates that are audited and determined or approved by a third-party firm or agency to validate the grant values and management cost for “allowable” activities and charges on a periodic basis (e.g., annually)

## III. Proposal for a Revised Fee Structure

### C. Recommendations for a Revised Fee Determination Process (Cont.)

- **Possible approaches (or themes) considered and their respective characteristics include (Cont.):**
  - Parametric model (e.g., equation or premium schedule) approach that utilizes a limited number of project cost drivers. Primary features include:
    - Potential utilization of a parametric equation that employs one or more project parameters (e.g., grant value, project duration) and statistically determined coefficients to predict or calculate an appropriate project fee
    - Alternatively, this approach may utilize a parametric premium schedule approach that employs multiple project parameters and a schedule or list of fixed grant value percentage coefficients (or multipliers) to reflect the combined effects of project specific cost drivers (e.g., duration, number of countries, project theme/complexity)
    - The equation or schedule coefficients would be updated periodically (e.g., annually) through statistical analysis of GEF project portfolios
    - Variations to this approach include allowing adjustments for individually outlier projects that do not fit the parametric model
  - Project specific fees based upon project specific Agency estimates . Primary features include:
    - This approach utilizes project specific cost estimates (e.g., basis of estimate descriptions, cost build-up) for each costs category by life cycle phase to reflect Agency's project specific management cost drivers
    - The basis of estimate cost categories would include labor (fully burdened), travel, consultants and other direct cost
    - The GEFSec would be required to review and approve each project management cost estimate, after resolving any questions with the proposing Agency
    - Standard costs of rates for labor would be updated periodically (e.g., annually) to reflect market changes

## III. Proposal for a Revised Fee Structure

### C. Recommendations for a Revised Fee Determination Process (Cont.)

#### Guidance on Evaluation of Alternative Approaches:

- **The flat fee approach is indicated if the primary objectives and allowable impacts include:**
  - Allowing the Implementing and Expanded Opportunity Agencies to manage their projects through their portfolios and have a moderate level of definition, identification and categorization of costs at the portfolio level
  - Require limited accountability for project output and performance at the project level
  - Limit transaction costs of the fee determination and administration process
  - Relative ease of solution implementation
- **The percentage of grant value or parametric approaches are indicated if the primary objectives and allowable impacts include:**
  - Allowing the Implementing and Expanded Opportunity Agencies to manage their projects through their portfolios and have a moderate level of definition, identification and categorization of costs at the portfolio level
  - Require limited accountability for project output and performance at the project level
  - Limit transaction costs of the fee determination and administration process
  - Moderate to high level of ease of solution implementation, depending on the level of complexity allowed and cost accountability desired

## III. Proposal for a Revised Fee Structure

### C. Recommendations for a Revised Fee Determination Process (Cont.)

#### Guidance on Evaluation of Alternative Approaches (Cont.):

- The project fee negotiation approach is indicated if the primary objectives and allowable impacts include:
  - Making the Implementing and Expanded Opportunity Agencies estimate their project management costs at the project level and having a moderate to high degree level of definition, identification and categorization of costs at the project (and portfolio) level
  - A moderate to high level of accountability for project output and performance at the project level
  - Allowing project transaction costs in the fee determination process to increase
  - Willing to work with a solution that may be difficult for the Agencies to implement

## III. Proposal for a Revised Fee Structure

### C. Recommendations for a Revised Fee Determination Process (Cont.)

- Due to the inherent differences between the volume of projects that the IAs manage versus the expected number of individual EA projects, dual approaches may be advisable to ensure that EA small portfolio needs are met while IA transaction costs are kept low for their large portfolios
- It is recommended that additional discussions be conducted to focus on preferred approaches and perform the necessary planning for implementing an improved Fee-Based System since it was not possible to arrive at a strong consensus with the GEFSec and three IAs on the many implementation details and factors to consider, that addressed their concerns in addition to the needs of the emerging EAs within the timeframe allotted (i.e., prior to the GEF Council meeting)

### **III. Proposal for a Revised Fee Structure**

#### **D. Reasons to Implement a Revised Fee Determination Process**

- **Improve the ability to establish a level of fee compensation understanding and fairness at the project or Agency project portfolio levels**
- **Provide a reasonable basis for evaluating the relationship between fees approved and Project Implementation Services provided to support Agency project portfolios in the absence of auditable project cost accounting systems and processes at each Agency**
- **Provide the Expanded Opportunity Agencies with fees that relate to the needs of their emerging or small project portfolios**
- **Allow project management cost drivers to be recognized and understood over time**
- **Accommodate the evolution and emergence of future project drivers**
- **Reflect a broadening of Agency roles in the execution of projects, including the application of Agency comparative advantages, in providing quality project management**

## **Appendix A – Review Methodology**

## Appendix A

The methodology employed for the Independent Review of the Global Environment Facility's Fee-Based System included the following steps:

1. Finalization of the Engagement Plan with GEF Secretariat and initiation of the Project
2. Conducting interviews with GEFSec management and staff
3. Conducting Implementing Agency and Expanded Opportunity Agency site visits, including:
  - Interviewing Agency management, staff and GEF Project Managers on several topics, including:
    - The Agency mission, business model and operations;
    - Areas of environmental project and thematic focus;
    - Project management processes, including the Agency project life-cycle phases and steps in comparison to the GEF project life-cycle;
    - Experience with GEF projects and interactions with the GEFSec;
    - Cost accounting capabilities and practices;
    - Grant and fee funds tracking practices; and
    - Views on the current and potential fee systems (based upon previous experiences and/or anticipated impacts, as appropriate);
  - Gathering GEF project portfolio data including PDF, grant and fee funding (where available);
  - Gathering data on three projects from each Implementing Agency for detailed review;
  - Reviewing and attempting to validate the original Implementing Agency staff week costs and staff week coefficient derivations; and
  - Gathering GEF data to obtain a proxy for current staff week costs and coefficients
4. Reviewing Agencies' financial and operational documentation on GEF project implementation costs and accounting for fees (where appropriate)
5. Performing an analysis of each Implementing Agency's GEF portfolio to evaluate trends in financial metrics
6. Performing an analysis of three projects from each Implementing Agency to evaluate project management resources required in relation to fees allocated under the fee-based system
7. Preparing the Draft Report
8. Submitting the Draft Report to the GEFSec, Implementing and Expanded Opportunity Agencies for review and return of comments
9. Meeting with the GEFSec and IAs to discuss the Report, findings and elicit feedback
9. Incorporating changes to the Report based upon comments received
10. Completing the Final Report for submission the GEF Council



## **Appendix B - GEF Secretariat and Agency Interviewee List**

### GEF Secretariat and Agency Interviewee List

#### Organization

#### Interviewees

##### GEF Secretariat

1. Ken King, Assistant Chief Executive Officer
2. Boon Tiong Tay, Project Manager, Financial Officer
3. Ramesh Ramankutty, Monitoring and Evaluation Specialist
4. Anne Bohon-Flanagan, Finance Officer
5. Herbert Aquay, Team Leader, Land and Water Resources; Biodiversity
6. Alan Miller, Team Leader, Climate Change and Ozone Depletion
7. Deepak Kataria, Database Administrator

##### Bank Group IBRD/IFC

1. Nancy Pinto, Chief Financial Officer
2. Rohit Khanna, GEF Operations Officer, Environment Department
3. Obi Ugochuku, Budget Officer, GEF, ESSD Resource Management
4. Pauline McPherson, Budget, Africa Region
5. Lars Videaus, WB GEF Executive Coordinator, Environment Dept.
6. Rebeca Alfaro-Flores, Senior Resource Management Officer
7. Christophe Crepin, Senior Regional GE Coordinator, Africa Region
8. Karin Shepardson, Sr. Regional Coordinator, Latin America & Caribbean
9. Davinder Sakhuja, Resource Management Officer, Latin America & Caribbean
10. Robin Broadfield, Regional Coordinator, East Asia and Pacific Region

## Appendix B

### GEF Secretariat and Agency Interviewee List (Cont.)

#### Organization

#### Interviewees

**Inter-American Development  
Bank (IADB)**

1. Gil Nolet, Legal Policy Specialist, Environment Division
2. Gustavo Olmedo, Cashier's Division
3. Ishtav Pribilovic, Section Chief for Budget and Mission Chief of Budget
4. Roberto N. Kaplan, Chief, Environment and Natural Resources Division 2
5. Eduardo Figueroa, Principal Environmental Engineering Specialist, Reg. 3
6. Mireya Rossi, Finance Department
7. Jesus Berte, Trust Fund Management

**African Development Bank (AfDB)**

1. Vasantt Yagoo, Principal Environmentalist, Enironm. And Sust. Devel.
2. Bella A. Aimee, Senior Environmentalist, OESU
3. Jan Helsen, Principal Agronomist, OCDW 3
4. Anthony O. Odukomaiya, Division Manager, Accounts and Special Funds
5. Eugene H. Shannon, Principal Geologist/Environmentalist, OESU
6. Yogesh K. Vyas, Chief Environmentalist, Environment and Sustin. Devel.
7. Wael R. Soliman, Civil Engineer – Senior Environmentalist, OCD South
8. Chanel Boucher, Vice-President, Corporate Management

**European Bank for Reconstruction  
and Development (EBRD)**

1. Teresa Godwin-Coombs, Head of Funds Financial Control
2. David Brooks, Senior Manager, Strategic & Corporate Planning & Budgt
3. Charles Indigo-Jones, Senior Manager, Strategic & Corporate Planning
4. William Kennedy, Senior Environmental Adviser, Environmental Appraisal
5. Kjell Nordlander, Principal Manager, Co-financing

### GEF Secretariat and Agency Interviewee List (Cont.)

#### Organization

#### Interviewees

**United Nations Environment Programme (UNEP)**

1. Ahmed Djoghlaif, Executive Coordinator
2. John Pernetta, Acting Deputy Program Coordinator
3. Chris Taylor, Fund Management Officer, GEF Coordination Office
4. Theodor Kapiga, Chief, Trust Funds Section, Budget and Funds Mgmt
5. Edmundo Ortega, Chief, Budget and Financial Management Office
6. Neil Pratt, Programme Officer, UNEP/GEF Coordination Office
7. Tom Hamlin, Task Manager, Climate Change, UNEP/GEF Coord. Office
8. Isabelle Van Der Beck, Project Manager
9. Immaculate Njeru, Fund Manager
10. Timo Maukonen, Senior Programme Officer
11. Anna Tembak, Programme Officer for Land Degradation, GEF Coord. Of.
12. Victor U. Ogbuneke, Fund Management Office, GEF

**International Fund for Agricultural Development (IFAD)**

1. My Huynh Cong, Controller, Controller's Office
2. K. Offei Dei, Assistant Controller-Accounting
3. Ha Kieu, Finance Officer
4. Carla Dellanave, Manager, Budget and Planning, Controller's Office
5. Hadi Shams, Senior Project Adviser, Programme Management Dept.
6. Ya Tian, Operations Adviser, Programme Management Department
7. Sheila Mwanundu, Technical Adviser, Environment/Natural Res. Mgmt

### GEF Secretariat and Agency Interviewee List (Cont.)

#### Organization

#### Interviewees

**Food and Agriculture Organization of  
The United Nations (FAO)**

1. Barbara Cooney, Economist (FAO GEF Focal Point), Invest Ctr Div (TCI)
2. Random DuBois, Senior Environmental Advisor, Investment Centre Div
3. Aidan Gulliver, Officer in Charge, Cooperative Programme Service, TCII
4. Michael Fitzpatrick, Project Advisory Unit (TCIU)
5. David Mac Farlane, TCID
6. Tony Wade, Office of Programme, Budget and Evaluation (PBE)
7. Manoj Juneja, Chief, Programme and Budget Service, PBE
8. Mina Dowlatchahi, PBE
9. Michael Ruddy, Director, AFF (Finance Division, Admin & Finance Dept)
10. David Forbes Watt, Director, Investment Centre Division
11. Andrew Macmillan, Director, Field Operations Division
12. David Baugh, AFF

**U.N. Industrial Development Organization  
(UNIDO)**

1. Angelo D'Ambrosio, Acting Managing Director, Division of Admin (GEF)
2. Sajjad Ajmal, Director and Treasurer, Financial Services
3. Saburo Takizawa, Coordinator of Programs, Fund Mobilization, Co-finan
4. Peter Ulbricht, Deputy Director of Finance / Budget Coordinator
5. Adrie De Groot, Coordinator, Financial Resource Mobilization
6. Bert Van Burik, Appraisal Officer

### GEF Secretariat and Agency Interviewee List (Cont.)

#### Organization

#### Interviewees

**Asian Development Bank (ADB)**

1. Nessim j. Ahmad, Senior Policy Coordinator, Region. and Sustain. Policy
2. Gabriel Tim-Kay Ho, Senior Control Officer
3. Robert C. Yeung, Lead Budget and Financial Specialist, Budget Division
4. Adrian H. Ruthenberg, Senior Sector Specialist, Agriculture & SS Dept.

**United Nations Development Programme (UNDP)**

1. Emma Torres, Deputy Executive Coordinator, GEF
2. Nick Brown, Chief, Programme Operations Support, GEF
3. Geordie Colville, Project and Analyst Officer, GEF
4. Tim Boyle, Regional Manager and Thematic Specialist, GEF
5. Richard Hosier, Principal Technical Adviser on Climate Change, GEF
6. Paul Chen, Chief Financial Officer, GEF

## **Appendix C – Revised Project Implementation Services**

### Revised Project Implementation Services

An Implementation Fee is assigned to an agency for the provision of implementation management services in respect of a GEF-funded project. These services cover the management and administration of all project-cycle tasks and activities during all phases of a Project from concept to closure (i.e., development, preparation, appraisal, supervision and evaluation). The GEF project cycle is discussed in greater details in the document GEF/C.16/Inf.7 “GEF Project Cycle”.

The fee is intended to provide only for the incremental Implementation Services that are required for incorporating global environmental benefits into, or in comparison to, a baseline project where appropriate. Additionally, Implementation Services cost sharing by co-financing sources should be reflected proportionately, or as specified under the co-financing agreement. Under no circumstances should there be duplicate coverage of tasks and activities by PDF, grant, co-financing and/or fee without full disclosure of the cost sharing plan.

The project-cycle management tasks and activities are summarized generally below.

#### Development

- Management of the project concept development, encompassing:
  - Project specific dialog building and concept development coordination with project proponents, country governments, local agencies, and service providers
  - Project conceptual design, alternatives analysis and preliminary cost estimation
  - Project co-financing source identification and preliminary financing discussions
  - Concept eligibility and feasibility evaluation
  - Preparation of Concept Proposal document and discussion with GEFSec
  - Project concept presentation for Pipeline Entry



### Revised Project Implementation Services (Cont.)

#### Preparation

- Management of the Project Brief preparation, encompassing:
  - Preparation of project detailed design
  - Development of detailed project cost and resource estimations
  - Planning and preliminary negotiations with donor and/or lending co-financing sources
  - Detailed project feasibility study
  - Preparation of project proposal
  - Internal Agency workprogram pipeline submission and approval
  - Development of Project Brief Document
  - Development of Project Implementation Services Fee Proposal
  - Presentation of Project Brief and Implementation Services Fee Proposal for GEFSec evaluation and CEO approval (Medium-Sized Projects, Expedited Enabling Activities) or Workprogram inclusion for Council approval (Full-Sized Projects)

#### Appraisal

- Management of the project planning finalization, encompassing:
  - Project design, implementation plan/time-table, detailed budget/cost estimates, in-country negotiations, etc.
  - Finalization of co-financing negotiations
  - Preparation of project appraisal and relevant legal documents
  - Presentation of project appraisal and final project proposal for CEO endorsement

### Revised Project Implementation Services (Cont.)

#### Supervision

- Supervision of the project implementation, including (as necessary):
  - Project resource management
  - Procurement of services from agencies, consultants or other service providers (not to include direct costs of services)
  - Technical guidance or “backstopping”
  - Participation in project stakeholders reviews and meetings
  - Maintaining project specific country government dialog(s)
  - Participation in thematic meetings related directly to the project
  - Project funds management, cost management, budgeting and reporting
  - Project progress review and reporting
  - Preparation of appropriate interim evaluations and reviews, in accordance with Agency’s operational policies and practices
  - Preparation of annual Project Implementation Review (PIR)

#### Completion and Evaluation

- Preparation of project completion report and/or project completion/termination evaluation, in accordance with agency’s operational policy/practice