

GLOBAL
ENVIRONMENT
FACILITY

ACCOUNTABILITY OF IMPLEMENTING AGENCIES FOR
ACTIVITIES OF EXECUTING AGENCIES

GEF Council Meeting
Washington, D.C.
February 22 - 24, 1995

RECOMMENDED DRAFT COUNCIL DECISION

The Council is invited to review this document and to consider adopting the following decision:

The Council reviewed *Accountability of Implementing Agencies for Activities of Executing Agencies*, document GEF/C.3/9, and considers that the procedures to be followed by the Implementing Agencies should provide a sufficient basis on which the Implementing Agencies can fulfill their responsibilities to the Council for their GEF-financed activities as set forth in paragraph 22 of the GEF Instrument. The Secretariat is requested, in preparing proposals for a GEF monitoring and evaluation policy to be considered by the Council at its next meeting, to take into account the need to ensure regular and appropriate reporting by an executing agency to the Implementing Agency concerned so as to enable the Implementing Agency to fulfill its responsibilities towards the Council.

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I. INTRODUCTION

1. At the second Council meeting held November 1-3, 1994, the Council reviewed document GEF/C.2/Inf.2 entitled, *Information Note on Collaboration between the World Bank and the Regional Development Banks in GEF Implementation: A Status Report*. In this connection, a question was raised about the accountability of an Implementing Agency for activities carried out by an executing agency collaborating with it on a GEF-financed project. In particular, the Secretariat was asked to prepare a paper on the relationship, including the monitoring of GEF resources, between the Implementing Agencies and the executing agencies.

2. In this regard, two provisions of the Instrument are particularly relevant. In paragraph 22 of the Instrument, it is stated that :

" The Implementing Agencies shall be accountable to the Council for their GEF-financed activities, including the preparation and cost-effectiveness of GEF projects, and for the implementation of the operational policies, strategies and decisions of the Council within their respective areas of competence..."

Paragraph 28 of the Instrument provides further:

" The Implementing Agencies may make arrangements for GEF project preparation and execution by multilateral development banks, specialized agencies and programs of the United Nations, other international organizations, private sector entities and academic institutions, taking into account their comparative advantages in efficient and cost-effective project execution."

3. On the basis of the Council's request, the Secretariat asked each Implementing Agency to provide information on how it would work with, and supervise, the activities of executing agencies working with it on GEF-financed activities. The information provided by the Implementing Agencies is presented below.

II. UNDP

4. UNDP confirms that it is accountable for the quality of work and financial accounts of the GEF projects, executed either nationally or by a UN Agency.

5. In establishing the GEF as a trust fund within UNDP, a formal agreement was signed on 24 April 1991 between the World Bank, as Trustee of the GEF, and UNDP. In this agreement, it is stated that the trust fund is administered by the UNDP in accordance with UNDP regulations, rules and directives, and its normal procedures.

6. In accordance with UNDP Financial Regulations and Rules (Rule 103.1), the authority for the GEF has been delegated to the GEF Executive Coordinator, UNDP. As "Fund Manager", he is the official primarily responsible, on behalf of the Administrator of UNDP, for the activities of the trust fund concerned.

7. With regard to the relations with the Executing Agencies, UNDP follows its normal project procedures for the execution of GEF-financed projects. The overall framework of program operations

7. With regard to the relations with the Executing Agencies, UNDP follows its normal project procedures for the execution of GEF-financed projects. The overall framework of program operations as well as detailed operational instructions for preparing and implementing programs and projects are governed by a "Programme and Projects Manual" (PPM) and other policy directives of the UNDP Executive Board.

8. Each of the Executing Agencies of UNDP projects signs a Standard Basic Agreement with UNDP. This Agreement covers, among others, accountability, conditions of project service, financial records and accounts as well as audits. For nationally executed projects, a segment in the PPM on the National Execution Operational Handbook, covering accounting and financial reporting procedures as well as audit provision, is made an integral part of every project document.

9. Quality of work in the project is monitored according to UNDP's procedures for monitoring and evaluation, e.g. submission of project progress reports, convening of project tri-partite review meetings and in-depth project evaluations. Each Executing Agency submits regular financial accounts to UNDP in accordance with established procedures. These accounts are audited in accordance with the internal and external auditing procedures provided for in the financial regulations, rules and directives of the UNDP.

III. UNEP

10. UNEP assumes full accountability for all GEF projects executed under its sponsorship either by national institutions or any other executing organization. In all its GEF project documents UNEP articulates the requirements for detailed financial reporting, as well as for substantive consultative procedures and guidance from UNEP to the executing organization.

11. UNEP's Executive Director established a separate Technical Cooperation Trust Fund for the receipt and administration of funds from the GET in accordance with a formal agreement, signed on 11 December 1991 by the World Bank, as Trustee of the GET and UNEP. In this agreement it is stated that the trust fund should be administered by UNEP in accordance with the Financial Regulations and Rules of the United Nations and the Financial Rules of the Fund of the United Nations Environment Programme. It is also expressed that project management and expenditures are governed by the Financial Regulations and Rules of the United Nations and the regulations, rules and directives of UNEP.

12. Allocations from the Trust Fund to finance GEF projects accepted by the Project Review Committee have to be approved by the Executive Director. Project related disbursements are based on detailed budgets which have been approved following the standard approval process for all UNEP projects. All project expenditures are authorized in accordance with UNEP established procedures and with the Financial Regulations and Rules of the United Nations. They are checked and certified by designated "Certifying Officers" responsible for these projects to ensure that only project related expenditures are charged to the project. The procedure is the same as for any other UNEP project.

13. In its relation with the executing agencies of UNEP's GEF projects the same procedures for implementation are applied as for any other UNEP project.

14. Each of the executing agencies signs a project document with UNEP which becomes a binding document between UNEP and the executing agencies. This document covers, among others, accountability. Half yearly (quarterly statements) progress reports, terminal reports in given formats and financial reporting requirements are integral parts of the project document.

15. Quality of work by the executing agencies is monitored according to UNEP's procedures for monitoring and evaluation as set out in the UNEP "Manual on Design and Approval of Projects". Each executing agency submits regular financial reports to UNEP which are audited in accordance with the internal and external auditing procedures provided for in the Financial Regulations and Rules of United Nations.

IV. WORLD BANK

16. The World Bank ("the Bank") is in the process of preparing collaborative arrangements with multilateral development banks (MDBs). These arrangements seek to ensure that the programming, administration and management of GEF resources are carried out in a manner consistent with the *Instrument for the Establishment of the Restructured Global Environment Facility* ("the Instrument").

17. The Bank has provided for the following in its arrangements to ensure project quality and financial rigor:

18. Subject to the rules laid down by the Council, each MDB will participate in the GEF process relating to the planning, programming and distribution of GEF resources to its specific geographic region. MDB participation at the planning and programming stage will have the purpose of, among others, (i) contributing to the effective design and execution of projects in accordance with the objectives of the GEF, (ii) facilitating access to and sharing information relevant to GEF planning and programming processes, (iii) providing recipient countries with clear directions on the availability of GEF resources, and (iv) preventing the duplication of efforts with other institutions.

19. The Bank will review all project proposals submitted by the MDBs and will determine their suitability for GEF funding. This review is intended to ensure compliance with, among others, (i) general project design criteria and resource allocation guidance provided by the Council, (ii) the Bank's designated guidelines for project selection and eligibility criteria, (iii) prior endorsement of recipient countries, and (iv) overall portfolio considerations.

20. All MDB project proposals will be subject to a Technical Review Panel ("TRP"). The TRP will include at least one outside technical expert from the STAP-approved list of Outside Specialists. TRPs will be organized by each MDB and held in a manner consistent with the Instrument and policies adopted by the Council.

21. Project proposals for GEF financing will be prepared under the coordination of the Secretariat, and reviewed and approved by the GEF Council. Any issue arising between the Bank and the MDBs concerning the development of a GEF-financed project will be interpreted in light of provisions of the Instrument and the decisions of the Council, and in a manner consistent with the guidelines, directives and procedures of the World Bank.

22. Following approval by the Council of project proposals, the Bank will notify the MDBs of the projects they will administer. Each MDB will administer the project funds provided by the Bank in accordance with normal practices and standards of the MDB and will employ the same degree of care used for the administration of its own funds.

23. Reimbursement for administrative costs incurred by the MDBs will be transferred to the MDBs following quarterly request. The request will be accompanied by a quarterly report showing the progress in implementing an agreed annual work plan. Following receipt and review of the quarterly report, the Bank will transfer funds to a designated account established by the MDBs.

24. To assure segregation of GEF funds disbursed to the MDBs, the MDBs will establish a trust account and maintain separate records and accounts in respect of the funds deposited in and withdrawn from the account. Such records and accounts will be certified by the respective MDB's internationally recognized external auditors for each fiscal year during which the funds remain in the account of the MDB. All such reports will be submitted to the Bank for review.

25. The MDBs will be responsible for the supervision, monitoring and evaluation of the projects to be financed with GEF funds and will inform the Bank on a semi-annual basis of the progress of each project consistent with the policies adopted by the Council. The scope and detail of the progress and completion reports will follow the MDB's normal practices and procedures, taking into account any concerns the Council may raise during its annual review of project implementation progress, as these are communicated to the RDB by the Bank.

26. Reports submitted to the Bank by the MDBs will include, at a minimum (i) annual work plan and budget estimate of administrative costs, both of which will be included in the project proposals submitted to the Council, (ii) quarterly financial reporting, (iii) project appraisal documents, (including measures to provide for appropriate local community consultation and participation), (iv) project execution or completion/evaluation reports, (v) project audits and (vi) the audits of the GEF funds administered by the MDBs.

27. In sum, consistent with the Instrument, the Bank's role in reviewing MDB project and financial documentation will be to ensure that its collaborating partners are apprised of GEF mandated policies and procedures and that GEF administrative resources provided by the Bank to the MDBs are duly accounted for under the financial reporting mechanism specified in accordance with principles set out in this document.

V. CONCLUSION

28. The Secretariat is of the opinion that the monitoring and evaluation policy to be considered by the Council at its meeting in May 1995 will be instrumental in providing the Implementing Agencies and the Secretariat with regular information on the basis of which they can continuously review the quality and cost-effectiveness of GEF-financed projects and their implementation in accordance with the operational policies, strategies and decisions of the Council. The monitoring and evaluation guidelines to be developed on the basis of the Council-approved policy should ensure that sufficient and appropriate information is reported on a regular basis to the Implementing Agencies so as to enable them to fulfill their responsibilities to the Council as set forth in paragraph 22 of the Instrument.