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COMPARATIVE ADVANTAGES AND COMPLEMENTARY ROLES OF THE IMPLEMENTING AGENCIES AND EXECUTING AGENCIES OF THE GEF

Recommended Council Decision

The Council reviewed document GEF/C.28/15, *Comparative Advantages and Complementary Roles of the Implementing and Executing Agencies of the GEF*, and agrees that the primary roles for project development and management of the Implementing Agencies as described in the Instrument and those of the Executing Agencies as described in the GEF Business Plan FY03-FY05 should be maintained. In cases of integrated projects that include components where the expertise and experience of one agency is lacking or weak, partnerships with other Implementing or Executing Agencies should be established with clear complementary roles, so that all aspects of the projects can be well managed.

The Council agrees that following the GEF Evaluation Office's review of the engagement of Executing Agencies, the Secretariat should prepare for Council review an action plan for strengthening the engagement of Executing Agencies.

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Executive Summary

1. This document, requested by the Council, and prepared in consultation with the Implementing and Executing Agencies proposes an approach towards clarification of the roles of the GEF Agencies with respect to the development and management of GEF projects.
2. The Implementing Agencies (UNDP, UNEP and World Bank) operate according to broad primary roles identified in the GEF *Instrument*, whereas the Executing Agencies under Expanded Opportunities (ADB, AfDB, EBRD, IADB, FAO, IFAD and UNIDO) have been granted access to GEF resources through a sequence of Council decisions and have been assigned more definite roles based on specific business needs of the GEF (summarized in GEF/C.19/10, *GEF Business Plan, FY03-05*).
3. The GEF is a project based organization, and the role of Agencies should therefore be assessed primarily in terms of their ability to develop and manage projects. The Operational Principle of country drivenness implies that countries will have a strong influence on the selection of partners for projects, and the Resource Allocation Framework will further strengthen this role of the countries.
4. The global environmental concerns that GEF projects intend to address increasingly require integrated approaches that often combine institution building, policy change, capacity development and investment promotion. This has blurred the distinction between the primary roles assigned to the Implementing Agencies according to the Instrument, and to some extent also the roles assigned to the Executing Agencies, in particular the Regional Development Banks.
5. The Executing Agencies feel constrained by the limited scope of their access to GEF resources under the Policy of Expanded Opportunities, and find that their expertise and project experience would justify a much wider project role in the GEF. The Executing Agencies also find that a number of structural and procedural barriers hamper the utilization of their full potential as GEF partners. These issues are the subject of a review of the experiences of the Executing Agencies that the GEF Evaluation Office is likely to undertake in response to the Policy recommendations for GEF-4 (still under negotiation). A revision of the roles of the Executing Agencies should be based on the analysis provided by the envisaged review.
6. It is recommended that the primary roles of the Implementing Agencies as described in the Instrument and the project roles of the Executing Agencies as described in GEF/C.19/10 continue. In cases of integrated projects that include components where the expertise and experience of an Agency is weak, partnerships with other GEF Agencies must be established, so that all aspects of the projects can be well managed.
7. Specific assessment of the roles of Agencies in project preparation and management will take place in those particular cases, where the involvement and roles of the Agencies deviate from their assigned primary roles. It is assumed that this additional assessment will apply only to a small number of GEF projects.

Introduction

1. At its meeting in November 2005, the GEF Council requested the Secretariat to prepare, in collaboration with the Implementing and Executing Agencies, a draft policy paper clarifying the roles and comparative advantages of the Implementing Agencies (as referenced in the Instrument) and the Executing Agencies for Council consideration in June 2006.¹
2. This document proposes to the Council an approach towards clarification of roles of the GEF Agencies² with respect to the development and management of projects, within the context of: (i) the GEF Instrument; (ii) policy decisions made by the Council with regard to Executing Agencies; (iii) the comparative advantages of the GEF Agencies; and (iv) the operational realities of the GEF.

Roles of Agencies as Stipulated in the GEF Instrument

3. The Instrument designates UNDP, UNEP and the World Bank as the Implementing Agencies of the GEF and identifies project roles in specified areas of particular emphasis for each Implementing Agency as follows:
 - (a) “UNDP will play the primary role in ensuring the development and management of capacity building programs and technical assistance projects. Through its global network of field offices, UNDP will draw upon its experience in human resources development, institutional strengthening, and non-governmental and community participation to assist countries in promoting, designing and implementing activities consistent with the purpose of the GEF and national sustainable development strategies. Also drawing on its intercountry programming experience, UNDP will contribute to the development of regional and global projects within the GEF work program in cooperation with the other Implementing Agencies.
 - (b) UNEP will play the primary role in catalyzing the development of scientific and technical analysis and in advancing environmental management in GEF-financed activities. UNEP will provide guidance on relating the GEF-financed activities to global, regional and national environmental assessments, policy frameworks and plans, and to international environmental agreements. UNEP will also be responsible for establishing and supporting the Scientific and Technical Advisory Panel (STAP) as an advisory body to the GEF.
 - (c) The World Bank will play the primary role in ensuring the development and management of investment projects. The World Bank will draw upon its investment experience in eligible countries to promote investment opportunities

¹ Joint Summary of the Chairs, November 2005 Council Meeting.

² Taken in this paper to include 10 agencies: UNDP, UNEP and the World Bank (Implementing Agencies, with project and policy functions designated in the GEF Instrument) as well as ADB, AfDB, EBRD, FAO, IDB, IFAD and UNIDO (Executing Agencies with direct access under the Policy of Expanded Opportunities). This is not to preclude other organizations serving as executing agencies for certain project functions consistent with the GEF Instrument (see par. 4).

and to mobilize private sector resources that are consistent with GEF objectives and national sustainable development strategies.”

4. The Instrument (par. 28) stipulates that “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, bilateral development agencies, national institutions, non-governmental organizations, private sector entities and academic institutions, taking into account their comparative advantages in efficient and cost-effective project execution.”

Policy Decisions by the Council with regard to roles of Executing Agencies

5. Dialogue began between the Regional Development Banks (RDBs: AfDB, ADB, EBRD and IDB) and the GEF Council in early 1999 regarding expanded opportunities for their engagement. In May 1999 preliminary steps were taken by Council to afford greater GEF access to RDBs (GEF/C.13/3) followed by UNIDO and FAO (GEF/C.15/4) and then IFAD in 2001 (GEF/C.17/13). In November 2003, the Council approved direct access to GEF resources of all Executing Agencies under Expanded Opportunities, acting within their agreed scope of GEF operations (GEF/C.22/12). These agencies were accorded direct access to meet the growing business needs of the GEF and to widen the global reach of GEF as well as the range and quality of expertise it can draw upon to meet its objectives.

6. The appropriate project roles of the seven agencies with respect these business needs were briefly described in the GEF Business Plan FY03 – FY05 (GEF/C.19/10) as follows:

- (a) Regional Development Banks: Investment projects at the country or multi-country level and mobilizing private sector resources within their respective regions.
- (b) FAO: Persistent organic pollutants in the agriculture sector.
- (c) IFAD: Land degradation, with emphasis on smaller countries – such as those in Africa – through community-based natural resource management and poverty alleviation and national execution arrangements.
- (d) UNIDO: Persistent organic pollutants in the industrial sector.

Experience with the project roles of Implementing Agencies³

UNDP

7. In accordance with paragraph 3 (a) above, UNDP has focused on developing and managing GEF projects intended to assist countries to develop their own capacity to manage for the global environment. Across all focal areas, every UNDP/GEF project has support to capacity development embedded throughout its development and implementation through coaching,

³ As presented by the Agencies.

facilitation and learning by doing. Moreover, technical assistance is a core feature of nearly every project. As a grant agency, UNDP does not make actual on-the-ground investments. Instead, the GEF grant is provided to governments or development banks that then set up financial mechanisms with commercial banks.

8. The GEF portfolio is integrated into UNDP operations in each of the following three pillars of UNDP's operations:

- (a) Enabling activities that help countries to take stock of their needs, strengths and weaknesses in environmental management.
- (b) Efforts to mainstream environment into the national development agenda.
- (c) Strengthening capacity to mobilize and deliver financing.

9. One of UNDP's core strengths is its ability, through its network of country offices, to work with governments to mainstream global environmental issues into broader sustainable development programs.

UNEP

10. UNEP's areas of emphasis, consistent with paragraph 3 (b) above, were set out more fully by the Action Plan on Complementarity Between the Activities Undertaken by the United Nations Environment Programme Under the Global Environment Facility and its Programme of Work, adopted in 1999 by the UNEP Governing Council (UNEP/GC.20/44) and the GEF Council (GEF/C.13/5). The action plan specifies the following types of projects:

- (a) Advance knowledge for environmental decision-making through scientific and technical analyses, including environmental assessments and targeted research;
- (b) Relate national and regional environmental priorities to the global environmental objectives of GEF, including assisting countries to prepare and implement environmental strategies, action plans and management and policy instruments to implement multilateral environmental agreements;
- (c) Promote regional and multi-country cooperation to achieve global environmental benefits, particularly in international waters and biodiversity;
- (d) Catalyze responses to environmental emergencies; and
- (e) Advance environmental management through development, testing and demonstration of approaches, methods and tools; and through identification and promotion of best practices and lessons learned.

11. The Action Plan on UNEP's GEF activities recognizes the roles of UNDP and the World Bank in responding to country needs in capacity building and investments respectively. UNEP's GEF projects will focus on establishing the enabling policy, scientific and technical environment for subsequent larger and longer-term assistance from the other agencies.

12. The UNEP-GEF project portfolio conforms with the mandate outlined in the GEF Instrument and detailed in the Action Plan on UNEP-GEF Complementarity. In many cases UNEP GEF projects, in addressing the areas outlined above, include technical assistance and in most cases involve capacity building. In cases where projects involve the use of financial instruments, stimulate investment, or include a GEF-funded investment component, the project is designed to include appropriate partnership for the investment component.

The World Bank

13. The World Bank is the leading international financial institution in a number of sectors that are related to the GEF's focal areas. The Bank's investment lending focuses on institution building, social development, public policy needed to facilitate private sector activity, and capital investments. The Bank-GEF portfolio is closely integrated ('blended') with IBRD/IDA lending, and all GEF operations are anchored in the Bank's country and sector strategies. The Bank invests significant resources in economic and sector work (ESW) which provides the analytic underpinning for its country assistance programs. Examples are Country Environmental Analyses, Board-approved Sector Strategies, Energy-Environment Reviews, and public environmental expenditure reviews. This analytic work draws on specialists across a number of sectors in international development assistance.

14. Bank operations, including the GEF portfolio, are managed according to policies and procedures such as Country Assistance Strategies, Country Portfolio Performance Reviews, financial intermediary lending, development policy and investment lending, and guarantees. Operational policies applied to GEF projects further include: environmental and social safeguard policies (environmental assessment, natural habitats, indigenous peoples, involuntary resettlement, forests); fiduciary (financial management, procurement, and disbursement); management (project monitoring and evaluation, supervision, and implementation completion reporting); contractual; and disclosure policies. Portfolio management applied to GEF operations is based on indicators of portfolio performance and a system of risk flags.

Experience with the project roles of the Executing Agencies⁴

15. The working experience of Executing Agencies operating under the policy of expanded opportunities varies considerably, although some agencies had considerable GEF experience gained under the arrangements in place prior to being granted direct access. For some agencies, operation under expanded opportunities is still in an early stage, and the process to finalize the administrative and financial arrangements is still underway. For example, the Memorandum of Understanding between the GEF and the EBRD is still under negotiation. AfDB finalized its negotiations with the GEF Secretariat and Trustee for direct access only in 2005, and is now in the process of developing project concepts under the revised procedures.

16. IADB and ADB have both developed diverse project portfolios in terms of project types and focal areas targeted, many of which originate from before their procedures for direct access were completed. Although many of these projects have strong investment components, all the projects also incorporate capacity building and technical assistance to varying degrees. As noted

⁴ As presented by the Agencies

by IADB, the nature of the issues that GEF projects intend to address requires integral approaches that include all the mentioned components, in order to achieve global benefits. ADB has brought forward a number of projects across several focal areas, and has taken the lead in putting together consortia of GEF agencies and other partners to support longer-term integrated programs under the Land Degradation Focal Area. Thus, the role of the RDBs in investment projects and in mobilizing co-financing from various sources including the private sector must be seen in this broader context of integrated approaches.

17. IFAD has, in accordance with its Memorandum of Understanding with the GEF, focused its portfolio of GEF projects in the Land Degradation Focal Area, where IFAD can build on its recognized expertise in land degradation, rural sustainable development, and integrated land management, its experience in long-term lending, its partnership with external funding agencies, and its role in the implementation of the CCD.

18. UNIDO has developed a large portfolio of projects in the POPs Focal Area. UNIDO has focused on the implementation of the Stockholm convention on POPs in the industrial sector, covering a wide range of activities, from identifying and assessing sources of POPs, building capacity in taking part of the process, through activities for reducing the generation of POPs, to the management and disposal of POPs waste.

19. FAO, like UNIDO, was granted direct access to GEF resources in the POPs Focal Area based on its extensive experience in the area of Persistent Organic Pollutants (POPs) chemical management and replacement in agriculture. FAO's strengths in the context of the Stockholm Convention on POPs are in the areas of phase-out and replacement of POPs pesticides in use, and the elimination of POP pesticide stockpiles. For this reason, FAO collaborates with UNEP-Chemicals, UNIDO and other members of the GEF family in the preparation and implementation of National Implementation Plans. Furthermore, FAO has taken an active role in the preparation and implementation of projects focused on pesticides, in collaboration with other agencies. However, it has stopped short of supporting countries in implementing projects that cover the full spectrum of POPs prevention and management, particularly those that address industrial POPs and by-products.

Issues related to Project Roles of GEF Agencies

20. The Third Overall Performance Study of the GEF (OPS3) found that the roles and responsibilities for Implementing Agencies and Executing Agencies are not always clear, especially with regard to collaboration and competition. OPS3's review of the portfolio across all focal areas found that the majority of projects in the pipeline are well aligned with the stated comparative advantages of the respective agencies, but also noted a number of projects that apparently crossed over into the comparative advantage of other agencies. OPS3 also noted that the Executing Agencies have "uncertain" mandates and some Executing Agencies still face a steep learning curve to climb in order to function competitively in the GEF 'market'.

21. The distinction among the primary project roles of the Implementing Agencies as defined in the *Instrument* has become less evident as projects and programs have moved towards more integrated approaches to the achievement of global environmental benefits through a combination of capacity building, technical assistance and investments.

22. It is increasingly recognized that capacity development and investment are interrelated. This interrelationship is embodied by the barrier removal approach and reflected in overall trends in donor financing. GEF projects seek to remove the full range of market and institutional barriers, including those relating to policy, information, technology, business and investment. Accordingly, there are an increasing number of projects that combine institution building, policy change, capacity development, and investment promotion.

23. A review of the policy of Expanded Opportunities (GEF/C.22/12) noted that the Executing Agencies felt their roles were unnecessarily constrained under the policy, and that their productive potential within the GEF was not fully utilized. For instance, FAO and UNIDO are currently limited to direct access within the POPs focal area, despite their technical expertise in other areas. FAO emphasized that it has experience and staff expertise in Sustainable Land Management and Integrated Ecosystems Management, and in critical areas such as agricultural biodiversity, productive uses of renewable energy, biosafety, and fisheries. Similarly, UNIDO stated that its expertise covers renewable energy and energy efficiency, land degradation, and international waters. These views are still voiced by the UN Executing Agencies, as summarized in Annex 1.

24. The Executing Agencies have also emphasized the growing extent to which they are contributing to the programming and policy functions of GEF at the focal area and corporate levels and their efforts to mainstream global environmental concerns into national and sectoral plans and policies. All agencies have adopted integrated approaches in the design of projects for GEF financing, and almost every project supports capacity building, provides technical support, and often supports pilot demonstration activities that can be scaled up for investment purposes.

General framework for defining the project role of the GEF Agencies

25. GEF's activities are basically project based, and the conditions in terms of country context, needs for different types of expertise, external partners and sources of co-financing will change over time and will vary from one project to another. The potential role of Agencies vis-à-vis their respective comparative advantages should therefore be primarily assessed in terms of their ability to develop and manage projects.

26. The Operational Strategy of the GEF emphasizes country ownership and stakeholder involvement as fundamental operational principles. The principle of country drivenness implies that the country(ies) will have a strong influence on the selection of the most competent and relevant partners for a given project activity, in view of existing and envisaged national policies, programs, capacity, and capacity needs. The Resource Allocation Framework (RAF) will further strengthen the role of countries in project preparation and design.

27. There is a need to establish a robust, yet flexible, operational definition of the potential role of the Agencies in project preparation and implementation, in order to ensure maximum use of the competences of the Agencies.

28. One possibility would be *a priori* assignment of the potential roles for the involved Agencies in project preparation and implementation within the different Focal Areas. This is essentially the approach that is enshrined in the *Instrument* with respect to the Implementation

Agencies, though in practice, these agencies have increasingly shifted towards preparing and implementing projects with integrated approaches. A rigid interpretation of the *Instrument* does not offer enough flexibility to respond to changing conditions and to the increasingly integrated nature of the GEF project interventions.

29. Another possibility would be to assess the proposed partners on a case by case basis as part of the Project Concept Review in relation to each project proposal. This approach would allow maximum flexibility and take into consideration the fact that the GEF is basically project based and country driven. On the other hand, this option puts additional burden on the project activity cycle and counteracts its simplification and streamlining.

30. The pragmatic approach lies in finding an appropriate combination of the two approaches mentioned above, so that a specific assessment only takes place in those particular cases where the involvement and role of agencies deviate from the assigned primary role.

31. It is recommended that the primary roles of the Implementing Agencies as described in the GEF *Instrument* and the project roles of the Executing Agencies as described in GEF/C.19/10 continue. In cases of integrated projects that include components where the expertise and experience of the Agency is lacking or weak,⁵ partnerships with other Implementing Agencies or Executing Agencies under the Policy of Expanded Opportunities must be established with clear complementary roles, so that all aspects of the projects can be well managed. Whether such partnerships can be formed with other agencies with appropriate expertise, but which are neither Implementing Agencies nor Executing Agencies, needs further analysis, and is hence not recommended at this point.

32. The suggested procedures for specific assessments of the project roles of the involved Agencies and the possible need for partnership arrangements in those cases where Agencies apparently exceed their assigned primary roles or their capacity will impose only a limited additional burden on the GEF Secretariat and the agencies during the Project Concept Review stage of the activity cycle.

33. With regard to the Executing Agencies, the key issue is whether their project roles be expanded beyond those described in the Business Plan of FY03-05 (cf. paragraph 6 above), towards permitting these Agencies to engage fully with the GEF in their respective areas of comparative advantage. A policy recommendation regarding this issue is closely related to the broader strengthening of engagement of the Executive Agencies. In the short run, this does not exclusively rely on the comparative advantages of the agencies, but also on the structural and procedural conditions for their engagement. Finally, from an operational perspective, it is important to balance competition between agencies with the need to have a consistent and critical minimum level of engagement with all agencies.

⁵ The appropriateness of the Agencies could be, inter-alia, judged on factors such as agencies' mainstream programs: staff skills, breadth of policy and technical research agenda, scope and size of country assistance programs, sector strategies, operational policies and procedures, environment and social safeguards, fiduciary standards, co-financing, and portfolio management.

34. One of the anticipated policy recommendations currently under discussion in the Fourth Replenishment negotiations of the GEF Trust Fund (draft still under negotiation) is likely to request the GEF Evaluation Office to prepare a review of the experience of Executing Agencies for Council consideration in December 2006. The Secretariat will likely be requested to develop by December 2006, in consultation with the GEF Agencies and taking into account the review, an action plan for strengthening the involvement of the Executing Agencies in GEF operations. The action plan is expected to include measures to involve these agencies as partners in policy and project development and operational issues, consistent with their comparative advantage.⁶

35. It is therefore recommend that the issues related to the project and policy roles of the Executing Agencies be addressed in the Action Plan for strengthening the engagement of the Executive Agencies, based on a timely Evaluation Office review and taking into consideration possible guidance from Council in response to the present issues paper.

⁶ Policy Recommendations for the Fourth Replenishment of the GEF Trust Fund, draft of December 2005, par. 16

Annex 1. Summary of contributions from the UN Executing Agencies regarding their expertise and experience related to GEF business.

FAO has summarized its expertise and experience within the GEF Focal Areas as follows:

- Biodiversity: Agricultural biodiversity, conservation of plant, animal and forest genetic resources, integrated production systems, grasslands production and maintenance, indigenous agricultural heritage systems, sustainable mountain development and conservation, biosafety for food and agriculture, forest biodiversity (global forest resources assessment, sustainable forest management), aquatic biodiversity/alien species.
- Climate Change: bioenergy, productive uses of renewable energy, agriculture and forestry in climate change mitigation through carbon sequestration, substitution and conservation, sustainable forest management, adaptation for agriculture.
- Land Degradation: Land Degradation Assessment in Drylands (LADA), agriculture policies and practices, soil fertility, new approaches to watershed management, integrated ecosystem management, sustainable land use and land management, sustainable forest management, conservation agriculture, sand dune stabilization, pastoral management of rangelands, wild fire management and control.
- International Waters: Integrated land and water management, sustainable and ecosystem-based fisheries management, reduction of pesticide runoff through integrated pest management, watershed management
- POPs: Life cycle management of agricultural pesticides, disposal and prevention of obsolete pesticides, soil/water decontamination, Integrated Pest and Pesticide Management (IPPM), Rotterdam Convention (with UNEP) (PIC).

UNIDO has summarized its expertise and experience within the GEF Focal Areas as follows:

- Climate Change: industrial energy efficiency, investment and technology promotion, rural energy development with productive uses and income generation activities, renewable energy for rural electrification (on / off grid areas), ICT and industrial applications.
- Land Degradation: involvement of the private sector, at two levels: promoting income-generating productive capacities for the rural poor to relieve *inter alia* unsustainable pressures on the natural environment; fostering partnerships with rural communities to better preserve natural resources by introducing proven technical solutions for land preservation.
- International Waters: contamination from land-based industries, cleaner production technologies, remediation technologies, solid waste management, coastal tourism.
- POPs: implementation of the Stockholm Convention in the industrial sector, capacity building for POPs assessment, technologies for reducing emissions, management and disposal of POPs wastes.

IFAD emphasizes its work in marginal lands, degraded ecosystems and in post-conflict situations; hence widening the GEF spectrum of interventions to reach the poorest people and ecosystem in degraded and vulnerable environments. Although IFAD's comparative advantage is primarily related to the Land degradation area, the fund has a wide range of experience in working under diverse agro-ecological and socio-economic setting that fall under various GEF focal areas such as biodiversity, Climate change and International Waters. IFAD has summarized its expertise and experience of relevance to various GEF Focal Areas as follows:

- Biodiversity: Integrated ecosystem management and CBNRM, agro-biodiversity, sustainable management of national parks and adjacent buffer zones, sustainable rangeland management,

promotion of local best practices and traditional know how, agro-forestry and conservation of forest biodiversity.

- Climate Change: payment for environmental services, bio-carbon fund, bio-energy, renewable energy in rural areas, climate change mitigation and carbon sequestration through sustainable land management.
- Land Degradation: Integrated watershed and ecosystem management, combating desertification and land degradation, soil fertility and improved land productivity, policy dialogue and access to productive assets and technology, sustainable rangelands, silvo-pastoral resources, forests and agricultural land management, capacity building and mainstreaming of SLM practices at national planning frameworks and policies.
- International Waters: Integrated watershed management, Integrated, water resources conservation, harvesting and aquifers conservation in arid land in particular.