



# Global Environment Facility

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Agenda Item 10

## STRATEGIC PARTNERSHIPS WITH GEF IMPLEMENTING AGENCIES

***Recommended Council Decision***

The Council reviewed document GEF/C.13/9, Strategic Partnerships with Implementing Agencies. Council notes the current exploratory efforts of the Implementing Agencies and the Secretariat to design strategic partnerships that advance global environmental objectives by building on the comparative advantages of each Implementing Agency and on their commitments to integrate global environmental activities in their regular work programs. The Council encourages these partnership efforts and requests the Secretariat to bring specific proposals to the Council for decision as appropriate.

## **I. INTRODUCTION**

1. Impact on the global environment will ultimately depend on, among other things, the ability of the GEF to catalyze the support of a range of international institutions for global environmental action.
2. The three Implementing Agencies are making significant commitments to integrate global environmental activities into their regular work programs and to complement the work of the GEF by building on identified areas of comparative strength (GEF/C.13/4, GEF/C.13/5, and GEF/C.13/6). The heads of those agencies have also recently reaffirmed their commitment to collaborating with one another and with executing agencies, especially regional development banks.
3. Working together on shared operational objectives, the GEF and its Implementing Agencies can thus maximize their positive impact on the global environment. This paper identifies a few critical areas where GEF and the Implementing Agencies can develop strategic partnerships to achieve such a shared objective. Each partnership would be a progressive relationship, built up around a specific operational objective, managed mutually, and entailing long-term commitment.
4. Specifically, it is proposed to develop strategic partnerships with:
  - (a) UNDP to build long term support for global environmental protection at the local level through the *Small Grants Programme* and to develop a strategic, cost-effective, and convention-responsive framework for capacity building in the global environment through a *Capacity Building Initiative*;
  - (b) UNEP to mobilize the scientific and technical communities to meet global environment priorities;
  - (c) the World Bank Group to expand support for renewable energy; and
  - (d) all three Implementing Agencies to address land and freshwater degradation in Africa.
5. Council would be regularly informed of progress made through strategic partnerships. In particular, terms of reference, work programs with task budgets, and progress reports would be circulated to Council for information. Strategic partnerships would be an agenda item at each Council Meeting. Progress on each partnership would also be reviewed in the context of the annual *GEF Corporate Business Plan* and proposals for any continued funding would be included in the following *GEF Corporate Budget*.

## **II. STRATEGIC PARTNERSHIPS WITH UNDP**

6. Two partnerships are proposed for UNDP. One partnership would help GEF, through UNDP, leverage greater commitment from local partners by maintaining support for them long enough for effective engagement and to ensure the sustainability of small grants programs. The other partnership, which is in its initial stages of discussion, would prepare GEF to respond cost-effectively to capacity building requirements of the conventions.

## Small Grants Programme

7. The long-term success of community action to address globally significant environmental concerns will require mobilizing support and funding for such action.

8. The *GEF Small Grants Programme* (SGP) occupies a strategic niche in the GEF by its support for community-based initiatives responding to GEF criteria and objectives. The overall program is administered by UNDP -- the agency with strong comparative advantage in operating at the community level through its country presence -- but community activities are decentralized and country-driven. This program has been successfully piloted and developed progressively through experience for many years. The SGP has been evaluated independently and the report made available in October 1998. The next full-scale independent review would be completed in December 2002. The SGP will be consolidated in the existing countries and then extended to additional countries. UNDP is very selective and will work in countries where there is adequate co-finance for the development baseline of the SGP activities.<sup>1</sup> There is mutual decision-making, as UNDP administers the SGP through locally based National Steering Committees that take decisions on the projects to support.

9. The major challenge to sustaining community support has been the stop-go nature of the SGP. SGP had been prepared, appraised, implemented, and evaluated as a regular project through the GEF project cycle. When the GEF grant came to an end, all work ceased while it was evaluated and restarted once the program was replenished. While SGP's commitments are essentially long-term, the fixed term contracts for program staff were an obstacle to the continuity needed to build up trust and community commitment.

10. It is therefore proposed that SGP be operated as a strategic partnership rather than as a project -- meaning that it would be replenished annually on the basis of programmatic indicators of success. As previously described in the most recent project document, SGP would be reviewed by Council at various milestones. The first such milestone report is GEF/C.13/Inf.14 *UNDP Report on Progress made in Implementing the GEF Small Grants Programme*, and the second would be available in December 1999, to support a request for the annual replenishment of the SGP.

11. The first Council decision to accommodate the specifically partnership nature of the SGP would be sought in **December 1999** when, as foreshadowed at the time of the project's approval, a request would be made to Council to **replenish the SGP a year in advance**. This differs from the usual approach, when a subsequent phase of a project is not presented until the earlier phase is complete. The reasons for requesting a change for this specific project is to maintain continuity of the small grants infrastructure, to give UNDP the ability to engage key staff on longer-term contracts, and to avoid the stop-go pattern inherent in the project approach. The SGP is a

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<sup>1</sup> Co-financing is only one of the many criteria UNDP applies. Among the others are: environmental threats and needs in GEF thematic areas; ratification of relevant conventions; presence and capacities of local NGOs and CBOs; government commitment; and possibility of leveraging funds from other donors, NGOs, or government for baseline activities. To be eligible for support, a project must fit the relevant GEF Operational Program, the GEF/SGP country program strategy, and other country-specific criteria set out by the National Selection Committee.

genuine partnership with UNDP and with countries, and should be an open-ended commitment (with exit criteria) rather than a finite commitment that is more appropriate to individual projects.

### **Capacity-Building Initiative**

12. It is important to build capacity for global environmental action at the country level, and to do so in ways that respond to convention guidance and country needs in the most cost-effective way.

13. UNDP has considerable experience in capacity building, and has taken a leadership role within the GEF in implementing Enabling Activities in support of convention commitments, and in capacity building within the Operational Programs of GEF. The Monitoring and Evaluation Unit of GEF is currently evaluating enabling Activities. As a result there is a considerable body of experience, both within GEF and outside, on what constitutes effective and sustained capacity-building.

14. GEF and UNDP have complementary objectives in the area of capacity building. The goal of GEF, as the operator of the financial mechanism of the conventions, is to respond cost-effectively to the capacity-building needs of its recipient countries consistent with the guidance of the Parties so that they can meet their own country-driven commitments under those conventions. UNDP has a mandate for capacity building generally, and also intends to integrate global environmental capacity building activities into its regular work program.<sup>2</sup>

15. GEF can move towards its goal through a strategic partnership with UNDP. Under the proposed partnership, an overall framework would be developed to assess systematically what the current needs are (particularly in the focal areas of climate and biodiversity where there has already been both considerable country activity and new convention guidance<sup>3</sup>) and how best the GEF can meet those needs. This challenge was underscored in the *1998 Project Implementation Review*, which concluded that more needs assessments of capacity should be undertaken prior to project initiation and that better definition and indicators of the intended results and impacts of capacity building efforts were needed.

16. This partnership would begin with an assessment of needs, identify the best way GEF as well as others can meet those needs, and propose modalities for cost-effective assistance. The work would proceed by:

- (a) consulting intensively with recipient countries individually and at the regional level, the CBD and UNFCCC Convention Secretariats, other Implementing Agencies, STAP, multilateral agencies, and bilateral agencies;
- (b) reviewing the reports and communications of parties to the conventions;
- (c) seeking expert advice on cutting-edge modalities and indicators;

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<sup>2</sup> Doing so would assure two desirable outcomes. First, each GEF capacity-building project that UNDP implements would then complement existing capacity and be supported by UNDP's regular capacity-building efforts. Second, and where appropriate, the results of these GEF projects would be sustained by follow-up action in UNDP's regular work program.

<sup>3</sup> See also the section on the Capacity Building Initiative in *Relations with Conventions* (GEF/C.13/12), where this aspect is treated in more detail.

- (d) developing a way to assess individual country needs posed by the implementation of the conventions taking account of previous GEF and other efforts; and
- (e) using the outputs of independent evaluations of Enabling Activities and capacity-building undertaken by the monitoring and evaluation unit.

17. In the FY00 budget year, the cost of the specific activities proposed would not exceed \$1.5 million.

## **II. STRATEGIC PARTNERSHIP WITH UNEP**

### **Mobilization of the Scientific and Technical Community**

18. GEF is demand driven, and science and technology underpin its actions. It is important to mobilize the scientific and technical communities in support of country-driven proposals that address global environmental concerns through sustained effort to build stronger relationships between the GEF and the scientific community.

19. To identify demand and target such communities, the GEF Secretariat has been working with the Implementing Agencies and STAP. Demand arises operationally from evolving convention guidance, Council requests, scientific and technical advice, program performance reports and other evaluations, and assessments of portfolio gaps and emerging issues in each of the GEF Operational Programs. The integrated corporate response to this demand is articulated in the *GEF Corporate Business Plan* each year. This response shows how:

- (a) gaps can be matched with country-driven priorities identified in the National Reports to the Convention on Biological Diversity, the National Communications to the Framework Convention on Climate Change, and other national reports;
- (b) emerging program issues can be addressed through policy work of the Secretariat, STAP Selective Reviews, expert panels convened by STAP, evaluation studies of the M&E unit, or targeted research proposals; and
- (c) new guidance of the conventions can be incorporated through programmatic emphases.

20. Part of this corporate response must be to assess detailed opportunities and to mobilize the scientific and technical communities to prepare country-driven proposals, consistent with national priorities and convention guidance. UNEP clearly has a general mandate for, and a comparative advantage in, environment assessment and targeted outreach to the scientific and technical community, and following a recent re-organization is both committed and well structured to integrate global environmental activities into its assessment and outreach programs.

21. Because of these parallel interests, it is proposed to mobilize and engage the scientific and technical community through a strategic partnership with UNEP. Under this partnership, UNEP would first undertake -- annually and region-by-region -- a scientific and technical assessment of the opportunities to fill the programmatic gaps identified in the *GEF Corporate Business Plan*. UNEP would then mobilize on a regional basis the key scientific and technical communities so that they can prepare country-driven GEF-eligible proposals to fill those

identified gaps.<sup>4</sup> This mobilization would be coordinated with the *GEF Country Dialogue Workshops*, which is to provide general outreach in individual recipient countries.

22. An example of the first (assessment) step would be under GEF's Operational Program No. 6 the identification of opportunities for promoting wind energy. This would require wind resource mapping of a rather special character not normally found in regular meteorological records but which may be derived cost-effectively from UNEP's regular environmental assessment efforts. Such an assessment would be demand-driven, and responsive to the review of the portfolio development of Operational Program No. 6. Likewise, assessments of opportunities in other areas (such as the development of catalytic projects in cold deserts, coniferous forests, and off-grid photovoltaics in prospective market niches) could be derived cost-effectively through identifying complementarities and synergies in UNEP's regular assessment work.

23. An example of the second (mobilization) step would be the holding of a regional workshop for the representatives of the scientific and technical communities involved in wind power in three or four highly prospective recipient countries. Where possible, such a workshop would follow the GEF Country Dialogue Workshops scheduled to provide general support for those identified countries. This would support the preparation of country-driven GEF wind power proposals that make use of local and regional experts. A second example is to mobilize these communities through targeted clearinghouse activities. Building on and complementing the clearinghouse of UNEP's Industry and Energy Centre, such "knowledge management" activities would be a cost-effective way for GEF to respond to convention guidance. By transfer of technologies and dissemination of policy, scientific and technical information from GEF activities, it would foster replication of appropriate responses to global environmental issues.

24. In the FY00 budget year, the cost of the specific activities proposed would not exceed \$2 million.

### **III. STRATEGIC PARTNERSHIP WITH THE WORLD BANK GROUP**

#### **Renewable Energy Partnership**

25. For the programmatic impact of the GEF Operational Strategy in climate change, it is crucial that international institutions make fundamental commitments to renewable energy technologies (RETs) within their regular work programs.

26. Less than two percent of the energy investment being made annually in developing countries is currently in RETs. Such technologies represent only a small fraction of recent World Bank lending in the energy sector and of IFC's portfolio investments in the power sector.

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<sup>4</sup>UNEP has proposed strategic partnerships that build on its comparative strengths in the following areas: **assessment, outreach, and knowledge management** (see GEF/C.13/5). These activities would involve UNEP staff and consultants rather than country-driven projects, and should thus be considered as part of the administrative budget.

This is despite the fact that RETs are technically and financially feasible in many places and are often national priorities.

27. At the June 1997 Special Session of the United Nations, the World Bank Group President recognized the need for a large-scale effort to accelerate use of RETs. Three impediments to greater World Bank lending and IFC investment are the small scale of RET projects, the high learning costs, and the need for strong client commitments to promote RETs.

28. **GEF-World Bank Group Partnership.** To help achieve the shared programmatic objectives of GEF and the World Bank Group in promoting renewable energy, the GEF Secretariat and the World Bank Group have been developing a strategic partnership. GEF would aim to develop a partnership wherein it would commit about \$200 million (for incremental cost support for specific country programs based on Operational Program No. 6)<sup>5</sup> while seeking World Bank Group commitments of at least \$600 million in co-finance (through Bank loans and other sources of finance). A strategic partnership of this form and magnitude would respond vigorously to countries that have made long-term commitments to promote RETs.

29. Such a partnership would be progressive. Already the World Bank Group has been exploring RET programs with two interested countries: South Africa and China. The countries are interested and, if Council were supportive, the World Bank Group would work with these countries and others to design programs responsive to their needs. If approved, each specific RET program would be reviewed at various predetermined milestones against programmatic indicators (e.g., of market penetration for specified technologies). The CEO would release the various tranches of GEF assistance on the basis of these reviews.

30. This staged approach would be consistent with the modalities the World Bank Group proposes to use, namely:

- (a) adaptable Program Lending (APL) approved September 1998;
- (b) learning and Innovation Loans (LILs) also approved in September 1998; and
- (c) an IFC expedited mechanism to respond to emerging business opportunities across a larger number of GEF-eligible recipient countries.

The APLs would provide phased, but sustained, support for the development of long-term RET programs. The LILs would support small, time-sensitive programs to build capacity, pilot promising RET initiatives, and experiment and develop locally based models prior to large-scale interventions. IFC would invest considerably from its own resources to deliver a new generation of RET-based projects using GEF resources to cover certain financing shortfalls due to identified transient technical risks and other barriers to immediate commercialization.

31. Strategies would be developed for ending programs that are not working (as soon as feasible), for sustaining those that are working, and for gracefully winding down those that have

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<sup>5</sup> The funding proposed is additional to that programmed for Operational Program No. 6 activities by other Implementing Agencies.



achieved their objectives. If the RET programs are successful, they would be explored with other countries and possibly deepened in the original countries.

32. **Individual country programs.** Programs would be pursued selectively. They would be entertained only where:

- (a) the country has a large potential for renewable energy;
- (b) the country has made a commitment to promote markets for RETs; and
- (c) the World Bank and the IFC make firm and monitorable commitments to co-finance, and to mobilize significant additional resources for, RETs.

33. Decisions on individual activities under the partnership would be taken mutually by the countries and the World Bank Group consistent with the GEF's policies and procedures. Program performance indicators monitored by the GEF Secretariat and reported in annual milestone reports would be sent to Council for review. If the reports are satisfactory and Council does not object, the CEO would endorse the release of scheduled tranches of GEF support.

34. If agreed, the first two RET program proposals would be submitted to Council for approval in **December 1999**. At that time, Council would be asked to commit resources for *country RET programs* and not just individual projects, and so the amount requested per program would be larger than is typical for individual projects. GEF would, however, aim to secure simultaneous World Bank Group commitments of at least three or four times the GEF grant through Bank loans or other sources. Given the long-term nature of each program, it would be proposed that the committed amount and associated fees not be released all at once but in several tranches over the next five or six years. These tranches would be released by the CEO as a series of partial endorsements, subject to Council review and based on programmatic performance indicators contained in milestone reports on the RET program. The indicators would include co-financing by World Bank loans, IFC investment, co-finance mobilized by the World Bank Group, actions committed by the recipient country, and market penetration for specified RETs.

#### **IV. STRATEGIC PARTNERSHIP FOR INTERAGENCY COLLABORATION ON LAND AND FRESHWATER DEGRADATION IN AFRICA**

35. Recognizing that the issues of land and water degradation are crucial to Africa's sustainable development, the Heads of Agency agreed at their meeting on March 11, 1999, to develop a coordinated "action plan" to address these issues through the GEF, the three agencies, and others.

36. Work has now begun to develop this interagency partnership. Operational Program No. 9, *Integrated Land and Water Multiple Focal Area Operational Program*, would provide the framework. This framework would integrate within a given region those activities that both (i) prevent land degradation and (ii) generate global benefits in the biodiversity, climate change, and international waters focal areas. Such a long-term commitment, or strategic partnership among the Implementing Agencies and GEF, would be particularly important in Africa where action is needed urgently.