

**Joint Response of the GEF Executing Agencies to the Paper
Prepared by the GEF Secretariat on *Comparative Advantages and
Complementary Roles of the Implementing Agencies and Executing
Agencies of the GEF***

(Prepared by the GEF Executing Agencies)

Joint Response of the GEF Executing Agencies to the Paper Prepared by the GEF Secretariat on *Comparative Advantages and Complementary Roles of the Implementing Agencies and Executing Agencies of the GEF*

**Agenda Item 24
Conference Room Paper**

**(Prepared by the Executing Agencies under the Policy of Expanded Opportunities:
ADB, AfDB, EBRD, IADB, IFAD, FAO and UNIDO)**

Background

As a result of the GEF policy of Expanded Opportunities for Executing Agencies (GEF/C.22/12) initiated seven years ago, there are now ten “GEF Agencies” given primary responsibility for GEF project development and delivery and associated policy and strategic support to the GEF. These comprise the Implementing Agencies (UNDP, UNEP and World Bank - IAs), which operate according to roles defined in the GEF *Instrument*, and the Executing Agencies (EAs) under the policy of Expanded Opportunities (ADB, AfDB, EBRD, IADB, FAO, IFAD and UNIDO), which have been granted direct access¹ to GEF resources through a sequence of Council decisions and assigned roles based on GEF business needs (summarized in GEF/C.19/10, *GEF Business Plan, FY03-05*).

Unfortunately, the integration of EAs into the mainstream of GEF project and policy work has not progressed as anticipated when the policy of Expanded Opportunities was introduced. While positive developments have occurred, the principal ongoing difficulties relate to asymmetries in access to decision-making processes, information and resources within the GEF system. This results in an unlevel playing field and lost opportunities to draw upon EA capabilities.

Implementation of the policy of Expanded Opportunities has been hampered by a range of barriers. The first set relates to establishment of administrative, legal and financial arrangements between each EA and GEF (both the Secretariat and the Trustee). A second set of constraints is more engrained in GEF corporate culture and relates to the flow of information within the GEF family and the distribution of resources, especially for performance of policy/strategic functions supporting development and review of all manner of GEF focal area and GEF-wide policies and programs. All EAs have gone through a stage in which their work with GEF had to pass through one of the IAs, and FAO and UNIDO continue to experience such barriers in their efforts relating to focal areas other than POPs.

Because the EAs are not yet fully engaged members of the GEF family, both GEF and the recipient countries lack full access to the expertise, resources, contacts and experience that the EAs bring to GEF's work. GEF corporate culture at the global and country levels does not yet offer the full range of GEF Agencies to address any given challenge, with strong biases still favoring the IAs as leads in most circumstances. This underutilized capacity is partly reflected in the relatively small share of GEF project resources approved for EA projects – amounting to about \$79 million or 3.3% of GEF-3 funding, not including the Work Program under consideration. There is a continuing need to establish measures for a consistent and critical minimum level of engagement with all GEF Agencies if the goals of the policy on Expanded Opportunities are to be realized.

¹ Direct access for FAO and UNIDO is limited to the POPs focal area.

Reactions to the Paper Prepared for Council Consideration

The EAs appreciate the attention the GEF Council continues to give to the roles and responsibilities of the GEF Agencies and particularly to the experience and expertise of the EAs. While all GEF Agencies were consulted during preparation of the paper on the *Comparative Advantages and Complementary Roles of the Implementing Agencies and Executing Agencies of the GEF* presented to the June 2006 Council meeting under Agenda Item 24, this paper deals almost exclusively with GEF Agency roles in development and management of GEF projects and the rather narrow subject of how to handle situations in which a GEF Agency puts forward a project that clearly lies outside of its comparative advantage as determined in the *GEF Instrument* or the *GEF Business Plan, FY03-05*.

Further, the EAs are concerned that the paper's principal recommendation is essentially to maintain business as usual in the treatment of GEF Agencies. The paper suggest 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.*" The implicit "primacy" of the IAs and continued limitations on the roles of the EAs are inconsistent with the spirit of the policy of Expanded Opportunities, which was clearly meant to strengthen the involvement of the EAs. It perpetuates an approach characterized by discriminatory practices.

The paper could have done a better job in acknowledging that the ten GEF Agencies perform two distinct types of functions to help achieve the objectives identified in the *GEF Instrument*. Development and management of *projects* is now performed on an equal basis by all ten GEF Agencies, limited only by GEF's designation of Agency comparative advantages. GEF Agencies also carry out broader *policy* or strategic functions, traditionally done by the three IAs in cooperation with the Secretariat (and compensated through the corporate budget) but increasingly performed also by the seven EAs (without compensation).

Any serious treatment of the comparative advantages and complementary roles of GEF Agencies should be based on a distinction between these project and policy functions. The paper does not attempt any systematic review of these roles across all ten Agencies, choosing instead to limit its analysis to the existing roles defined in the *Instrument* and the *GEF Business Plan, FY03-05*. A broader current assessment would have considered the comparative advantages of all GEF Agencies for performance of project functions based on a review of their distinctive characteristics and strengths, such as whether they have: (i) global or regional geographic scope, (ii) development mandates and capacities that are specialized or more general, (iii) mandates as financial institutions, and/or (iv) an extensive country-level presence.

The spirit of the policy of Expanded Opportunities has not yet been realized, and the various barriers encountered by the EAs continue to limit GEF's ability to take full advantage of their membership in the family of GEF Agencies. With respect to their defined comparative advantages, the four regional development banks (ADB, AfDB, EBRD, and IADB) have not found their project roles – which mirror those of the World Bank – to be unduly constraining, though the trend toward design of integrated projects needs to be acknowledged. The three specialized UN agencies who are newest to the GEF family (FAO, IFAD and UNIDO), however, have indeed encountered constraints due to GEF's narrow definition of their comparative advantage for direct access as spelled out in the *GEF Business Plan, FY03-05*. For example, FAO and UNIDO continue to be limited to development and delivery of projects in the POPs focal area, despite their clear capacities and demonstrated abilities to contribute to the work of other focal areas and the initial expectation that such limits would only be of a temporary nature.

The paper also notes that GEF projects and programs are increasingly moving towards more integrated approaches to the achievement of global environmental benefits through a combination of capacity building, technical assistance and investments. The EAs agree with this observation and find it consistent with their experience. If more integrated approaches – also cutting across focal areas – are to be encouraged, this will necessitate even more careful consideration of the comparative advantages of GEF Agencies and their areas of expertise. It also should lead to the wider use of partnership arrangements in which GEF Agencies work together in the design and implementation of projects and programs.

As noted, the seven EAs now also perform a wide range of policy or strategic functions for GEF, including their participation in: (i) focal area task forces, which consider strategic priorities, review the latest thinking on problems and effective responses, and conduct preliminary allocations of GEF resources according to global and country priorities; and (ii) other GEF corporate groups dealing with topics such as the RAF, the STAP, the joint evaluation of the GEF project cycle, relations with conventions and other stakeholders, procedures for incremental cost calculations and a range of other matters as reflected by the busy agenda of every GEF Council meeting (see GEF/C.28/8 Corporate Budget, FY07 for a description of they types of services provided). Unlike the three IAs, the seven EAs receive no corporate budget allocation for performing these policy functions – they are expected to pay for the staff time, travel and other expenses incurred out of their own budgets. The EAs clearly are endeavoring to participate as fully as possible under these conditions, but financial constraints and other barriers inhibit their full engagement and limit GEF's access to their expertise, resources and contacts.

The EAs can do much more to cost-effectively contribute to the achievement of GEF's goals. They can add to the quality of the GEF portfolio, taking into account the demonstrated effectiveness and quality-at-entry of their projects, their strong organizational capacities, their ability to generate significant project cofinancing and the environmental management and development expertise these organizations bring to the GEF family.²

Moving Forward

Having missed the opportunity to fully address the issues of GEF Agency comparative advantages, the paper suggests that this be accomplished through two exercises: (i) a GEF Evaluation Office review of the experience of Executing Agencies (embodied in draft policy recommendations under discussion in the GEF-4 replenishment negotiations, for Council consideration in December 2006); and (ii) preparation of an *Action Plan for Strengthening the Involvement of the Executing Agencies in GEF Operations* (anticipating in the same vein that the Secretariat will be asked to develop this, also for consideration in December 2006).

While these exercises will be useful, there already is ample information available to move forward with preparation and advanced elements of the proposed Action Plan. The EAs stand ready to work with the IAs and to assist the Secretariat in preparing, presenting to Council and seeing implemented such an Action Plan. There is concern that the Action Plan may be delayed given that it is, in part, dependent upon outcomes of the evaluation. If this process is postponed, then the resources of the GEF-4 replenishment will be largely programmed before measures for the full engagement of all GEF Agencies are in place. It already has been seven years, and such delay would mean that GEF would have to wait for the GEF-5 replenishment to

² These capabilities are briefly described in the text of and an annex to the Secretariat's paper.

meaningfully implement the policy of Expanded Opportunities. At the very least, it should not be necessary to await the results of the GEF Evaluation Office review of EA experience to begin work on the Action Plan.

The EAs, therefore, welcome the planned evaluation and offer their full cooperation and support to this process. Bearing in mind the Evaluation Office's budgetary constraints and the need to see this move forward quickly, the EAs will endeavor to provide \$70,000 in matching resources to support the evaluation of EA experience in ways to be determined as appropriate by the Evaluation Office so as to maintain the independence of this analysis.

The EAs look forward to working with the new GEF CEO on all of these matters and suggest to Council and the new CEO some immediate steps that could be taken to accelerate their engagement in anticipation of the Action Plan. For example, Council may wish to encourage the Secretariat to:

- provide information on a more equal basis to all ten GEF Agencies regarding the actions of focal area task forces, RAF preparations and all other GEF policy and operational matters;
- include EAs in all decision-making processes alongside the IAs, and consider making provision for one or two EA representatives to take part in all meetings between the Secretariat and GEF Executive Coordinators; and
- Consider measures to further accelerate EA engagement to ensure that they meaningfully participate in the design and delivery of GEF-4 projects in their areas of expertise.