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COMPARATIVE ADVANTAGES OF THE GEF AGENCIES

Approved Council Decision

The Council, having reviewed document GEF/C.31/5, *Comparative Advantages of the GEF Agencies*, notes the description of the comparative advantages of the GEF Agencies presented in the document as guidance for moving forward and requests the Secretariat, in agreement with the country concerned, to assess the comparative advantage of the GEF agency proposed to manage a project during the PIF review. In assessing an agency's comparative advantage, an agency's national or regional presence and the national context of the proposed project should be taken into account.

GEF agencies are requested to focus their involvement in GEF project activities within their respective comparative advantages. In specific cases of integrated projects that include components where the expertise and experience of a GEF agency is lacking or weak, the agency should be invited, on the basis of paragraph 28 of the Instrument and previous Council decisions, to partner with another agency and to establish clear complementary roles so that all aspects of the project can be well managed.

The Council agrees that that the categorizations and description of comparative advantages presented in the document should be regularly reviewed by the Council based on an analysis of additional information and assessments of agency and project performance to be generated through the performance and outcome matrix and other reports of the GEF Evaluation Office. The Council also agrees that the comparative advantages of the agencies will need to be reviewed in light of any changes in an agency's mandate or the conclusions of the UN reform process.

EXECUTIVE SUMMARY

1. In December 2006, Council requested the Secretariat to elaborate on the comparative advantages of the GEF agencies, taking into consideration the evaluation of the experience of the Executing Agencies presented to Council by the GEF Evaluation Office.
2. In this paper the Secretariat proposes a typology for the roles and comparative advantages of the GEF agencies in relation to their preparation and management of GEF projects. The typology is based on the main types of GEF interventions as described in the GEF Instrument (i.e. investments; capacity building and technical assistance; and assessments, tools, standards and norms) versus the areas of GEF interventions as described in the GEF focal area strategies.
3. The proposed typology, summarized in paragraph 25 and visualized as a diagram in Annex L, intends to provide a basis for a more clear division of labor and a more level playing field in project activities among the GEF agencies. As decided by Council in December 2006, the actual comparative advantage of a GEF agency to manage a proposed project will be assessed by the Secretariat during the PIF review in view of the specific required expertise, context and external partners.
4. The analysis of the agencies' comparative advantages is based on information they provided on their institutional mandate in relation to global environmental concerns, their actual capacity for managing GEF projects, and their field presence and contact networks. This information is summarized in annexes to this paper, providing a brief introduction to each agency's role in the GEF partnership. Information on overall performance in project implementation has not been included in this analysis due to lack of comparable external performance assessments.
5. The categorization and description of the GEF agencies' comparative advantages for the GEF will evolve over time and will need to be re-analyzed in the future, taking into consideration information generated by the emerging results based management framework for the GEF as well as the performance and outcomes matrix under development by the GEF Evaluation Office, to be presented to Council in December 2007.

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BACKGROUND

1. Historically, the Implementing Agencies (UNDP, UNEP and World Bank) have operated according to broadly defined primary roles identified in the GEF *Instrument*¹, 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*).

2. The Executing Agencies have felt constrained by the limited scope of their access to GEF resources under the Policy of Expanded Opportunities, and have found that their expertise and project experience would justify a much wider project role in the GEF. The Executing Agencies also found that a number of structural and procedural barriers hamper the utilization of their full potential as GEF partners.

3. At the Council meeting in December 2006, the GEF Evaluation Office presented an “Evaluation of the experience of Executing Agencies under Expanded Opportunities in the GEF” (GEF/ME/C.30/4). As background material for this evaluation, the Executing Agencies prepared summary descriptions of their respective mandates and capacity related to the GEF.

4. During consultations between the CEO and the agencies in Washington DC in October 2006, it was agreed to move towards a more level playing field in project activities among the GEF agencies. Based on these consultations, it was recommended to Council (cf. GEF/C.30/15) that:

- (a) The seven Executing Agencies under Expanded Opportunities are granted direct access to GEF project funding based on their comparative advantages.
- (b) The current corporate budget of the Implementing Agencies will cease to exist by July 2007. At the same time, the project based fee applicable to all GEF Agencies will be increased from 9% to 10%.
- (c) All GEF Agencies will contribute to the corporate activities of the GEF.
- (d) All GEF Agencies should focus their involvement in GEF project activities within their respective comparative advantages and assigned primary roles.
- (e) The comparative advantage of a GEF agency to manage a proposed project will be assessed by the GEF Secretariat, in consultation with the country, during the Project Concept Review.

¹ *Instrument for the Establishment of the Restructured GEF*, May 2004, (Annex D, Paragraph 11, p.36). The primary role for each agency as written in the Instrument is as follows: UNDP “ensuring the development and management of capacity building programs and technical assistance projects”; UNEP “catalyzing the development of scientific and technical analysis and in advancing environmental management in GEF-financed activities”; and the World Bank “ensuring the development and management of investment projects.”

5. Council, in its meeting in December 2006, approved these recommendations and requested the Secretariat to further elaborate on the comparative advantages of the agencies in GEF project activities in a paper to be presented to Council in June 2007. This paper has been prepared by the Secretariat in consultation with the GEF agencies.

6. While this document provides for a “level playing field” among the GEF Implementing and Executing Agencies for purposes of managing GEF projects, the Instrument recognizes that the GEF is to operate “on the basis of collaboration and partnership among the Implementing Agencies”. Indeed, the latter were core partners in the design and foundation of the GEF. During FY08, the Secretariat will engage the three Implementing Agencies to elaborate and clarify the basis of their fundamental corporate partnership, taking into account the evolution of GEF policies and procedures since the Instrument was adopted, as well as their unique overarching and global function with relation to development and the global environment. The CEO has agreed with the three Implementing Agencies to hold biannual “summit” meetings after each Council meeting, thus fulfilling paragraph 23 of the Instrument.

Principles and criteria for assessing comparative advantages

7. At the corporate level, GEF is a partnership organization that brings together a wide range of experience, expertise and contact networks in order to achieve broader institutional and programmatic goals. All of this allows the GEF to have a broader outreach than would have been possible from one agency alone. Furthermore, the partnership facilitates an exchange of experience and ideas for the mutual benefit of all the agencies.

8. GEF’s actual interventions are, on the other hand, predominantly project based, and for the sake of efficiency the preparation and implementation of each project is normally assigned to a single agency. 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.

9. The elaboration of the comparative advantages of the GEF agencies provided by this paper therefore focuses on agencies’ ability to develop and manage the different types of projects within the GEF portfolio, in order to establish a clear division of labor among the agencies. This does not by any means intend to create barriers for cross-fertilization and synergies among the agencies at the corporate level.

10. The Operational Strategy of the GEF emphasizes country ownership and stakeholder involvement as fundamental operational principles. The principle of country drivenness implies that the countries 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.

11. The principles of country drivenness and project focus of the GEF interventions do not preclude defining a common set of guiding criteria for the assessment of the potential role of agencies in project preparation and implementation. Such guiding criteria should apply equally

to Implementing Agencies and to Executing Agencies, and they should be aligned with the objectives that reflect the value added to the GEF, as set forth in the Policy on Expanded Opportunities:

- (a) Increasing the capacity of the GEF to address strategic operational needs, including in new and emerging areas, and to respond to country driven priorities and the requirements of the conventions;
- (b) Increasing the diversity of experience from which the GEF can draw for innovative interventions in operational program areas; and
- (c) Leveraging additional resources for the protection of the global environment by expanding the GEF's capacity to mobilize financial and technical resources and co-financing for its projects.”

12. The GEF agencies' comparative advantages in preparing and managing GEF projects should be assessed in consideration of the following elements:

- (a) The agency's institutional role and core functions as described in its official mandate and mission statement and policies approved by its governing body;
- (b) The agency's actual capacity, expertise and experience as reflected in its business plan and portfolio of completed and ongoing projects, GEF as well as non-GEF;
- (c) The agency's ability to ensure delivery and management of projects through field presence or well-established contact networks at the national or regional level; and
- (d) The agency's overall performance in implementing projects.

13. The GEF Instrument defines three major types of GEF interventions as a basis for assigning primary roles to the three Implementing Agencies:

- (a) Capacity building and technical assistance;
- (b) Technical and scientific analysis in the context of environmental assessments, development and demonstration of tools and methods and policy frameworks; and
- (c) Investment related interventions.

14. The distinction between these three types of interventions has become less evident as GEF projects and programs have moved towards more integrated approaches to achieve global environmental benefits through a combination of capacity building, assessment and investment. Nevertheless, the types of interventions listed above still reflect the diversity of the GEF portfolio, and most GEF projects will have a main focus in one of the three categories, although for instance investment projects will often also include elements of capacity building. For the purpose of defining comparative advantages, investment projects include interventions where GEF grant funding is linked to or mimics loan operations or guarantees on commercial or quasi-

commercial conditions. Similarly, interventions within the capacity building category could include building capacity in innovative financing schemes for e.g. payment for ecosystem services and market transformations. Likewise, interventions related to assessments and development of tools and norms would usually include elements of capacity building and technical assistance.

15. Another way of defining the roles and comparative advantages of the GEF agencies is by disaggregating the GEF portfolio along the focal areas. In December 2006, Council requested the Secretariat to lead a revision of the focal area strategies for GEF-4, in accordance with the policy recommendations for the Fourth Replenishment. Revised focal area strategies are presented to Council in a separate document (GEF/C.31/10) proposing a strategic focus within each focal area on a limited set of strategic programs for GEF-4.

Approach to analyze the comparative advantages of the GEF agencies

16. Based on information collected for each of the agencies, and reviewed and commented on by the respective agencies during the process, the Secretariat has developed a typology for the comparative advantages of the GEF agencies on the two-dimensional field defined by the *types* of GEF interventions according to the GEF Instrument versus the *areas* of interventions as expressed by the focal areas and strategic programs for GEF-4.

17. The first step of the analysis was to collect comparable information on the ten GEF agencies with respect to their institutional mandate and capacity to prepare and implement GEF projects. The contributions from the Executing Agencies to the “Evaluation of Experience of Executing Agencies under Expanded Opportunities in the GEF” (posted on the EO website as an annex to a [technical background paper](#) for the evaluation) was used as a basis. Comparable information was collected for the Implementing Agencies, based on the contributions from the Implementing Agencies during the preparation of previous Council documents on the comparative advantages and complementary roles of the GEF agencies. The information was corroborated by the Secretariat through an assessment of information available on the agencies’ websites. This information is summarized in annexes A – J to this paper.

18. These annexes do not primarily describe the agencies’ comparative advantages; rather they intend to provide relevant concise information about the agencies. The summary descriptions of the agencies’ *mandate* to work on global environmental issues has been validated by assessing their respective strategy and policy papers as approved by the governing bodies and posted on the organizations’ web sites. This gives a strong indication of how important and central global environmental issues are to the mission of each agency, as well as an indication of the coverage of this mission across the focal areas of the GEF.

19. The agencies’ *capacity* to develop and manage different types of projects relies not only on the agencies’ portfolio of GEF projects, but inasmuch on the expertise and experience derived from preparing and implementing projects outside the GEF as documented through the agencies business plans and annual reports. The existence of environmental and social safeguard procedures is an important aspect, especially for investment projects. Some of the agencies have fully developed safeguards policies that are accessible to the public while others have indicated that they have internal procedures or are in the process of developing explicit policies.

20. The Operational Strategy of the GEF emphasizes country ownership and stakeholder involvement as fundamental operational principles. The Resource Allocation Framework (RAF) will further strengthen the role of countries in project preparation and design. The agencies' *presence* and contact networks at country level are therefore important criteria for assessing their capacity to assist countries in preparing and implementing GEF projects.

21. The annexes do not include information on the performance of the agencies. This aspect, although relevant for the assessment of comparative advantages, was excluded from this analysis following advice from the GEF Evaluation Office, pointing out the lack of comparable external performance assessments covering all GEF agencies. A Performance and Outcomes Matrix of the GEF Agencies will be presented to Council in December 2007 as requested at the replenishment negotiations. This matrix will be part of the GEF Annual Performance Report (APR) that provides most if not all the relevant performance measures. Annex D of the APR 2006, under discussion at this Council meeting, presents a first proposal for this matrix for Council discussion. The proposal covers 15 performance parameters in five major areas: Results, Processes affecting Results, Efficiency, Quality of M&E and Learning. Since this matrix will rate Agencies performance across their entire portfolio, it can only provide guidance for the assessment of comparative advantages. The performance and outcome matrix under development by the GEF Evaluation Office will only cover GEF projects; additional information on the overall performance of the agencies may be obtained from external sources, such as the MOPAN studies² and the DFID assessment of multilateral organizational effectiveness.³

22. Based on the information on each agency provided in Annexes A - J and further corroborated by additional information provided by the agencies (references provided in Annex K), the comparative advantage of each agency was derived in terms of their ability to prepare and implement GEF projects with respect to the different types of projects and the different program areas of the GEF portfolio.

23. Each project will pose its own requirements in terms of expertise, experience and coordination, and the conditions in terms of country context, external partners and sources of co-financing will change over time and will vary from one project to another. Furthermore, the principle of country drivenness implies that the countries 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. As a consequence, the strength of a specific agency to implement a specific project needs to be validated for each case. As decided by Council in December 2006, the comparative advantage of a GEF agency to manage a proposed project will be assessed by the GEF Secretariat, in agreement with the country, during the PIF Review, taking into account the country context, the agency's relations with the country, and the co-financing and leverage provided.

Proposed typology of the roles and comparative advantages of the GEF agencies

24. The proposed typology of the roles and comparative advantages of the GEF agencies vis-à-vis the types and areas of GEF interventions is visualized in the table shown in Annex L. The

² *The Multilateral Organisations Performance Assessment Network*, Annual Synthesis Reports (2004, 2005, 2006).

³ Scott, Alison, "DFID's Assessment of Multilateral Organisational Effectiveness: An Overview of Results" (2005).

matrix takes the three types of interventions defined in the GEF Instrument – capacity/technical assistance, assessments and scientific and technical analysis, and investments – and crosses them against each of the focal areas (and strategic programs for the large focal areas). It should be emphasized that such a schematic presentation can only give an approximate indication of the extent of each agency’s comparative advantage. It must also be noted, that the concept of comparative advantage by its very nature is relative – the absence of an agency in any of the cells in the table in Annex 12 does not imply that this agency has no expertise or experience in that particular field; it just implies that another agency seems to have stronger expertise and experience to prepare and implement GEF projects.

25. In terms of the types of interventions, for the three original Implementing Agencies, UNDP, UNEP, and the World Bank, the type of project roles as specified in the Instrument have remained the same. For the Regional Development Banks (ADB, AfDB, IDB, ERDB), as for the World Bank, their comparative advantage lies in investment projects at the country or multi-country level. For all of the Banks, their comparative advantage will be weighed against the level of co-financing they provide, primarily through their own financial sources, secondarily from external sources. With respect to the specialized UN agencies (FAO, IFAD, UNIDO) their comparative advantages are categorized more strongly along the focal areas. With the exception of IFAD which has an additional role in investments, the UN specialized agencies’ project interventions fall within capacity building/technical assistance or assessment/scientific and technical analysis interventions.

26. Overall, the specific comparative advantage for each agency is as follows:

- (a) ADB’s comparative advantage for the GEF includes investment projects at the country and multi-country level in Asia as well as the ability to incorporate capacity building and technical assistance into its projects. ADB has strong experience in the fields of energy efficiency, renewable energy, adaptation to climate change and natural resources management including water and sustainable land management.
- (b) AfDB’s comparative advantage for the GEF lies in its capacity as a regional development bank. The AfDB is, however, in the initial stages of tackling global environmental issues. Its environmental policy has only recently been approved and is in the process of being integrated into operations. The AfDB will focus on establishing a track record for environmental projects related to the GEF focal areas of Climate Change (adaptation, renewable energy and energy efficiency), Land Degradation (deforestation, desertification) and International Waters (water management and fisheries).
- (c) EBRD’s comparative advantage for the GEF lies in its experience and track record in market creation and transformation, and ensuring sustainability through private sector (including small and medium-sized enterprises) and municipal environmental infrastructure projects at the country and regional level in the countries of eastern and central Europe and central Asia, especially in the fields of energy efficiency, mainstreaming of biodiversity and water management.

- (d) FAO's comparative advantage for the GEF is its technical capacity and experience in fisheries, forestry, agriculture, and natural resources management. The FAO has strong experience in sustainable use of agricultural biodiversity, bioenergy, biosafety, sustainable development in production landscapes, and integrated pest and pesticides management.
- (e) IDB's comparative advantage for the GEF includes investment projects at the country and regional level in Latin America and the Caribbean. IDB finances operations related to the following GEF focal areas: Biodiversity (protected areas, marine resources, forestry, biotechnology), Climate Change (including biofuels), International Waters (watershed management), Land Degradation (erosion control), and POPs (pest management).
- (f) IFAD's comparative advantage for the GEF lies in its work related to land degradation, rural sustainable development, integrated land management, and its role in the implementation of the UN Convention to Combat Desertification. IFAD has been working intensively in marginal lands, degraded ecosystems and in post-conflict situations.
- (g) UNDP's comparative advantage for the GEF lies in its global network of country offices, its experience in integrated policy development, human resources development, institutional strengthening, and non-governmental and community participation. UNDP assists countries in promoting, designing and implementing activities consistent with both the GEF mandate and national sustainable development plans. UNDP also has extensive inter-country programming experience.
- (h) UNEP's comparative advantage for the GEF is related to its being the only United Nations organization with a mandate derived from the General Assembly to coordinate the work of the United Nations in the area of environment and whose core business is the environment. UNEP's comparative strength is in providing the GEF with a range of relevant experiences, proof of concept, testing of ideas, and the best available science and knowledge upon which it can base its investments. It also serves as the Secretariat to three of the MEAs, for which GEF is the/a financial mechanism. UNEP's comparative advantage also includes its ability to serve as a broker in multi-stakeholder consultations.
- (i) UNIDO's comparative advantage for the GEF is that it can involve the industrial sector in GEF projects in the following areas: industrial energy efficiency, renewable energy services, water management, chemicals management (including POP and ODS), and biotechnology. UNIDO also has extensive knowledge of small and medium enterprises (SME's) in developing and transition economy countries.
- (j) The World Bank's comparative advantage for the GEF is as a leading international financial institution at the global scale in a number of sectors, similar to the comparative advantage of the regional development banks. The

World Bank has strong experience in investment lending focusing on institution building, infrastructure development and policy reform, across all the focal areas of the GEF.

27. GEF Agencies should focus their involvement in GEF project activities within their respective comparative advantages. As all ten GEF agencies acquire direct access to GEF project funding within their respective comparative advantages, they may involve external organizations in the preparation and execution of GEF projects, in accordance with paragraph 28 of the GEF Instrument. The involved GEF agency retains the primary responsibility for project preparation and execution. [In exceptional cases of integrated projects where the required expertise and experience cannot be covered by one GEF Agency alone, partnerships with other GEF Agencies must be established with clear complementary roles, so that all aspects of the projects can be well managed.]

28. The categorizations and description of comparative advantages presented in this paper will evolve over time, and will need to be reanalyzed periodically in the future. Agencies' experience and expertise develop over time and new strategic program areas will be developed for each future replenishment period. In addition, the UN reform process is still in an early stage and is likely to further clarify and possibly modify the roles of the UN agencies. Furthermore, the performance and Outcome Matrix under development by the GEF Evaluation Office as well as the Results management framework under development by the GEF Secretariat will enable an inclusion of project performance in the basis for assessing the agencies' comparative advantages. It is therefore suggested that the comparative advantages of the GEF agencies be re-assessed when the strategic programming areas for GEF-5 is determined.

ANNEX L. COMPARATIVE ADVANTAGE BY FOCAL AREA AND TYPE OF INTERVENTION

FOCAL AREA		INTERVENTION TYPE					
		Investment		Capacity Building/Technical Assistance		Scientific and technical analysis, assessment, monitoring/tools, standards, and norms	
BIODIVERSITY	<i>Sustainability of Protected Area Systems</i>	WB	ADB, IDB, AfDB	UNDP FAO		UNEP FAO	
	<i>Production Landscapes/ Seascapes & sectors</i>		ADB, IDB, EBRD		UNEP, IFAD		
	<i>Access & Benefits Sharing</i>		ADB		UNEP		
	<i>Biosafety</i>				UNIDO, UNEP		UNIDO
CLIMATE CHANGE	<i>Energy-Efficient Buildings/Industry</i>	WB ADB	EBRD, IDB	UNDP	UNIDO, UNEP	UNEP	UNIDO
	<i>Market Approaches Renewable Energy</i>		EBRD, IDB, AfDB		UNIDO, UNEP		
	<i>Sustainable Transport</i>		EBRD, IDB		UNEP		
	<i>Biomass for Energy</i>		IFAD, IDB, AfDB		IFAD, FAO, UNIDO		FAO
LAND DEGRADATION	<i>SLM Agriculture and Rangelands</i>	WB ADB IDB IFAD	AfDB	UNDP IFAD	FAO	UNEP	FAO
	<i>SLM Forests</i>				FAO		FAO
	<i>Innovative Approaches to SLM</i>						
INTERNATIONAL WATERS		WB, ADB, IDB, EBRD		UNDP, FAO, UNIDO, UNEP		UNEP FAO	
PERSISTENT ORGANIC POLLUTANTS (POPS)		WB, ADB, IDB		UNDP, FAO, UNIDO, UNEP		UNEP, FAO	
OZONE DEPLETING SUBSTANCES		WB		UNDP, UNEP, UNIDO		UNEP	
SUSTAINABLE FOREST MANAGEMENT*		ADB, IDB, IFAD, WB		FAO		UNEP, FAO	
INTEGRATED		WB, ADB, IDB		UNDP, FAO, UNIDO, UNEP		UNEP, FAO	

CHEMICALS MANAGEMENT				
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Note: *Cross-cutting theme, not an independent focal area