IEO BRIEF

Evaluation of the Expansion of the GEF Partnership

Independent Evaluation Office
GLOBAL ENVIRONMENT FACILITY

Since its 1991 establishment, the GEF partnership has undergone two rounds of expansion, increasing the number of GEF Agencies from 3 to 10, and then to 18.

KEY FINDINGS

1. Access to new capacities and networks has seen a moderate increase. The second round of expansion of the GEF partnership has increased the GEF's ability to address concerns related to the GEF focal areas, although the ability to address chemicals and waste improved only marginally. The new Agencies provide expertise in niche areas—such as forest restoration and commodities supply chains—that had not been adequately addressed earlier.

2. Agency choice has been moderately increased. A survey of GEF operational focal points (OFPs) shows that, on average, all three original GEF Agencies, two Agencies from the first round of expansion, and one Agency from the second round of expansion are active in a recipient country.

3. New Agencies have garnered a solid share of the GEF portfolio. Agencies from the second round of expansion have garnered an 8 percent share of GEF funding for GEF-6, which is reasonable given their size and scope of work.

4. Country ownership-related gains are moderate and vary. OFPs in countries with an accredited national Agency report that the recent expansion of the GEF partnership has led to greater country ownership. Other OFPs have mixed opinions on the second-round expansion's effect on country ownership.

5. Expansion has led to increased competition. Most of the OFPs who responded to the online survey felt the second-round expansion has met its objective of increasing competition.

6. There is general satisfaction with services provided by the GEF Agencies. A vast majority of OFPs assess the Agencies to be performing satisfactorily in delivering all expected services.

7. Agencies continue to value their involvement in the GEF partnership. GEF Agencies value GEF support and

PURPOSE AND METHODS: The study assessed the extent to which the structure of the Global Environment Facility (GEF) partnership is optimal and meets recipient country needs, with special attention to the effects of its recent expansion. It looked to determine the extent to which the GEF Agencies provide the GEF access to new capacities and networks, assist the GEF in supporting priority actions in countries with capacity constraints, and service the needs of recipient countries. Information was gathered through desk reviews, interviews, online surveys, and the GEF Project Management Information System (PMIS), with data gathered from 216 key stakeholders.

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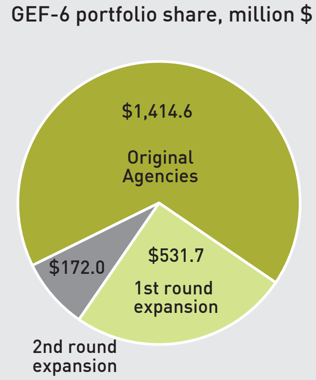
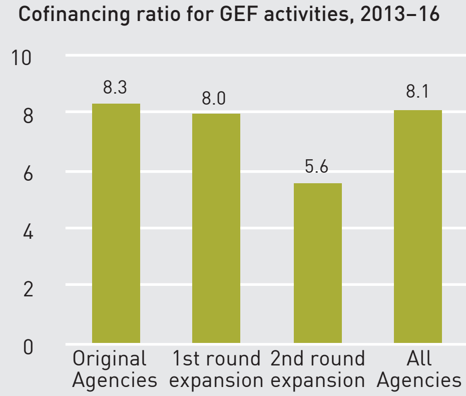
CONTACT: Neeraj Kumar Negi, Senior Evaluation Officer, Nnegi1@thegef.org

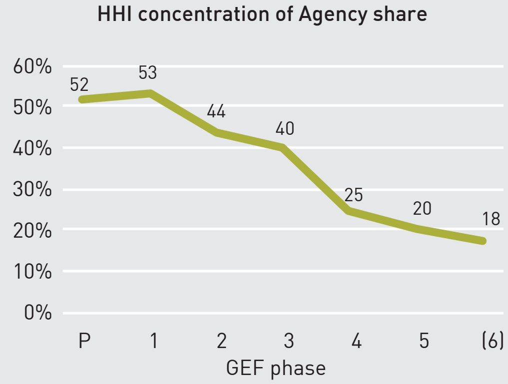
ABOUT US: The Independent Evaluation Office (IEO) of the GEF has a central role in ensuring the independent evaluation function within the GEF. www.gefieo.org

OPS6
SIXTH COMPREHENSIVE EVALUATION OF THE GEF

PORTFOLIO AND PERFORMANCE HIGHLIGHTS







view their involvement in the GEF partnership as complementing their own operations. However, several Agencies—notably the multilateral development banks (MDBs)—feel that the attractiveness of GEF resources has been reduced due to high transaction costs and the availability of internal sources of funding.

8. Efficiency gains due to expansion may have been balanced by costs. The second round of expansion led to a slight reduction in the effective Agency fee rate during GEF-6 and has increased the GEF's ability to fund medium-size projects. However, the costs of managing the GEF partnership have increased.

9. The GEF partnership is seen as effective. Key stakeholders—OFPs, convention focal points in recipient countries, and GEF–Civil Society Organization (CSO) Network members—find the GEF partnership effective in delivering on its environmental mandate.

BACKGROUND

When it was first established as a pilot program in 1991, the GEF had three multilateral organizations—the World Bank, the United Nations Development Programme (UNDP), and the United Nations Environment Programme (UNEP)—as its implementing Agencies.

As the GEF evolved, other multilateral organizations were accredited as GEF Agencies to provide recipient countries with more choice and the GEF with access to expertise and networks, as well as the ability to tap additional cofinancing resources. From 1999 to 2003, seven organizations were added to the partnership: the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IDB), the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD), and the United Nations Industrial Development Organization (UNIDO).

The impetus for a second round of expansion of the GEF partnership came from GEF-5 replenishment policy recommendations. Between 2013 and 2015, eight new Agencies were accredited: three national agencies—the Development Bank of South Africa (DBSA), the Foreign Economic Cooperation Office, Ministry of Environmental Protection of China (FECO), and the Brazilian Biodiversity Fund (FUNBIO); three international CSOs—Conservation International (CI), the International Union for Conservation of Nature (IUCN), and the World Wildlife Fund (WWF-US); and two subregional development banks—the West African Development Bank (BOAD) and the Development Bank of Latin America (CAF).

At its October 2015 meeting, the GEF Council asked the GEF IEO to look at the current structure and health of the GEF partnership; the IEO undertook this evaluation in response to the Council request.

RESULTS

Access to new capacities and networks. Expansion of the GEF partnership has increased the number of Agencies that cover most all of the GEF focal areas. The exception has been the chemicals and waste focal area, for which most GEF recipient countries have not experienced an increase in Agency choice.

The new Agencies have enhanced GEF capacities in several niche areas. These areas include forest restoration work (IUCN), use of community-based approaches in addressing artisanal mining–related concerns (WWF, CI), commodities supply chain work (WWF, CI), expansion of protected area networks (FUNBIO), environmental projects focused on indigenous communities (FUNBIO, CI), and mainstreaming of environmental concerns in infrastructure projects (DBSA, CAF, BOAD).

Geographical coverage. The original and first-round expansion Agencies provide extensive coverage of GEF recipient countries, with several—notably FAO, IFAD, UNDP, UNEP, UNIDO, and the World Bank—covering all or almost all recipient countries. The Agencies from the second round of expansion together cover 136 recipient countries, or 95 percent. Substantial coverage is provided by IUCN (127 countries), CI (62 countries), and WWF (50 countries).

The online survey asked the GEF OFPs to identify the GEF Agencies active in their countries; this information was matched with Agencies' self-reported data on country coverage. The country and self-reported data are consistent for the three original Agencies, but not for the Agencies from the two expansions: Agency self-reported data indicate greater presence than do OFP responses. Further, responses differ by country group. OFPs from countries with a small GEF-6 System for Transparent Allocation of Resources (STAR) allocation (less than $10 million) and those from small island developing states (SIDS) and fragile states identified fewer Agencies from the expansion rounds as being active in their country than did the Agencies in their self-reports.

Share in GEF portfolio. The three original Agencies together accounted for the entire GEF portfolio in the pilot phase and GEF-1; the World Bank alone accounted for nearly two-thirds. The share of Agencies from the first-round expansion was relatively modest from GEF-2 to GEF-3. However, once they gained full access to GEF resources in 2006, their collective share of GEF funding jumped to 21 percent for GEF-4. Agencies from the second round expansion have so far garnered an 8 percent share of GEF funding for GEF-6. Given that the Agencies from the second round do not have extensive country presence and provide less comprehensive focal area coverage, their GEF-6 share of funding is reasonable.

The increase in share of the Agencies added through the two expansions has been concurrent with a decline in the World Bank's share of funding to about 20 percent during GEF-5.

Country ownership. The OFPs of recipient countries that have an accredited national Agency believe that the recent expansion has contributed to increased country ownership. Other OFPs have mixed opinions on the topic. The OFP survey indicates that the increase in country ownership of GEF activities due to the recent expansion is, at best, modest.

The national agencies—DBSA, FECO, and FUNBIO—report receiving strong country support. The OFPs in countries with national Agencies view their inclusion in the GEF partnership as instrumental in building capacities of national institutions and facilitating better alignment of GEF activities with national priorities. The subregional development banks—BOAD and CAF—report receiving robust country support due to their strong relationship with the finance ministries of the recipient countries and because the OFPs are familiar with their work. The experience of international CSOs is variable. While international CSOs receive strong support in some countries, they face challenges in others due to their relative inexperience as GEF Agencies—and, in some instances, due to their past advocacy work.

Competition. The increase in the number of GEF Agencies from 3 to 18 has led to an increase in competition for GEF resources. Sixty-seven percent of the OFPs who participated in the online survey felt that the recent expansion has led to increased competition. This is consistent with information from interviews with Agencies and GEF Secretariat staff.

Quality of services. Of the OFPs that responded to the online survey, 90 percent assessed overall Agency performance to be in the satisfactory range. A high percentage expressed satisfaction for services such as project preparation (97 percent), project supervision and monitoring (97 percent), and assistance in national portfolio formulation exercises (100 percent). Most of the OFPs were also satisfied with services such as timely communication of implementation progress (88 percent) and support for follow-up activities (84 percent).

On most performance parameters, the OFPs preferred one of the original three Agencies. In general, UNDP was preferred for services related to project preparation, and the World Bank for implementation. Agencies from the second-round expansion were mentioned less than any other group; this is to be expected because most OFPs have not yet had sufficient exposure to their work. Some OFPs did identify them as being the best positioned for projects focused on the private sector, local communities (WWF), capacity building (WWF), and project implementation in their respective countries.

The GEF as partner of choice. GEF funding accounts for 5–30 percent of the total funding of the United Nations GEF Agencies, and between 0.1 and 1.0 percent of the funding of the MDB GEF Agencies. Given the low share of GEF funding for the MDBs, the GEF may face challenges in gaining their top management's attention. Several MDB staff mentioned high transaction costs of accessing GEF resources as an area of concern. Although MDB respondents acknowledged progress in reducing some of these costs through harmonization and programmatic approaches, they maintained that transaction costs continue to be high in other areas. The availability of internal funds within MDBs such as ADB and the World Bank to address environmental concerns is another challenge in retaining Agency interest in the GEF.

Most Agencies brought on board during the second round of expansion report that, in order to be cost-effective, they would need to access about $15–$30 million of new GEF funds annually.

In general, these Agencies find preparation of a GEF project to be more difficult than they had anticipated; these concerns are related to learning curve and are thus likely to be mitigated with greater exposure.

Efficiency. The second round of expansion has led to a small reduction in the effective Agency fee rate for implementation of GEF activities, and increased the GEF's ability to support medium-size projects. However, the larger number of Agencies increases the complexity of the partnership and requires the Secretariat to spend more resources in managing it. Agencies from the second round of expansion have raised $5.60 in cofinancing per dollar of GEF grant; this is less than the $8.20 per dollar of GEF grant raised by the other Agencies during the same period. Although the new Agencies have enhanced the GEF's ability to reach new cofinancing partners, they have not yet increased the GEF's ability to access additional cofinancing.

Effectiveness of the GEF partnership. Of the stakeholders covered in the online survey, 100 percent of the OFPs, 95 percent of the convention focal points, and 88 percent of the CSOs rated the GEF as effective in generating global environmental benefits. Agency and GEF Secretariat staff highlighted the GEF's track record in addressing important environmental concerns, along with its ability to mobilize cofinancing from a varied set of partners.

ISSUES TO ADDRESS

1. Although the second round of expansion has provided increased coverage of focal areas and recipient countries, the increase in **coverage of the chemicals and waste focal area, and of SIDS and fragile states, has been modest**.

2. The GEF has made fair progress in integrating the new Agencies in its activities. An 8 percent share of the new Agencies in the GEF-6 portfolio is indicative of this progress. However, **new Agencies are still ascending their learning curve.** For example, none of the eight proposals for stand-alone full-size projects to be implemented by the new Agencies had met the 18-month deadline from project identification form (PIF) approval to Chief Executive Officer (CEO) endorsement. "Hand-holding" support continues to be required.

3. Concerns related to the **high transaction costs of accessing GEF resources, and the costs of meeting project cycle commitments**, need to be addressed. The harmonization pilot with the World Bank has shown that some project preparation–related transaction costs may be addressed. However, other costs, such as those related to results-based management requirements, also need attention.

4. The GEF needs to find ways to **encourage healthy competition among Agencies, along with encouraging them to collaborate** based on their comparative advantages. In some recipient countries, an increase in competition for GEF resources has led to the use of aggressive approaches by some GEF Agencies. This is a source of resentment for other Agencies.

CONCLUSIONS

- **The GEF partnership has become more complex and requires more effort to manage.** The roles, responsibilities, and level of inclusion of GEF Agencies in the partnership has also evolved. Whether the GEF partnership should be increased further is a question that has been discussed in GEF Council meetings on several occasions. The evidence gathered through this evaluation suggests overall there is not much appetite for further expansion, although it may still make sense in some targeted situations—such as to provide increased coverage to the Pacific SIDS and fragile states, and to the chemicals and waste focal area, or the addition of a national Agency in a country with a significant STAR allocation and institutions that have adequate capacities.

- **The optimal size of the GEF partnership is dependent on the needs of the conventions the GEF serves, the needs of the recipient countries, the size of the GEF replenishment, and the ability of the GEF Secretariat to manage its complexity.** It also needs to be linked with the GEF approach to resource allocation through the STAR, and the emerging context of environmental and development finance.

RECOMMENDATION

The number of GEF Agencies should be maintained at their present level for the GEF-7 period.

Independent Evaluation Office
GLOBAL ENVIRONMENT FACILITY

1818 H Street, NW, Washington, DC 20433
Website: www.gefieo.org • email: gefevaluation@thegef.org