

OPS5

FIFTH OVERALL PERFORMANCE STUDY OF THE GEF

HEALTH OF THE PARTNERSHIP

OPS5 Technical Document #17

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Introduction

1. Initially designed as a pilot fund in March 1991, the GEF is now entering its sixth replenishment period and has become a major international resource for addressing global environmental issues. Formed by 24 participant countries, the GEF was expected to work through existing institutions, building upon the capacities of the three participating Implementing Agencies (UNEP, UNDP and the World Bank). It was also expected that formal interagency arrangements would be kept at a minimum while emphasis was placed on consensus-building and informal working arrangements. A scientific and technical panel was introduced to ensure the scientific integrity of GEF operations. In March 1994, 73 states signed *The Instrument for the Establishment of the Restructured Global Environment Facility*. The GEF Instrument among other things established the governance structure of the GEF, assigned areas of emphasis to Implementing Agencies on the basis of their comparative advantages, and created the Secretariat to support and implement the decisions of the Assembly and the Council in consultation with Implementing Agencies. It was also intended to facilitate and coordinate collaboration between the three Implementing Agencies. While providing some operational guidance, such as defining a broad project approval process, the Instrument's emphasis was in defining the principles of cooperation among Implementing Agencies and the Secretariat, which included partnership, transparency, democracy and consultation, cost-effectiveness and accountability. Agencies were also instructed to implement country-driven programs and projects based on national priorities designed to support sustainable development.

2. While the GEF Instrument has remained mostly unchanged, during the last two decades the GEF has gone through several large changes. The GEF now includes 183 participating donor and recipient countries from 140 in 1994, and has increased the number of partner agencies from three to twelve. Other changes have taken place as a result of Council decisions seeking to respond to the growing emphasis across development circles on improved cost-effectiveness, accountability and country-drivenness. There has also been a gradual shift to more elaborate operational procedures and requirements for GEF funding, and in general to increased formalization across the system. Sometimes intended but often unintended, consequences of these decisions have resulted in a higher burden across the network and higher transaction costs, as well as a gradual shifting of roles among the different institutions that participate in the GEF. Given the flat envelope of financial resources and the increase in number of mandates, member countries, agencies, and operational requirements, competition for the available resources has also increased. Responses to these changes vary across the different institutions and actors; some have increased their engagement with GEF or are content to have access to GEF resources. Others are withdrawing from the GEF, but most question the extent to which the GEF remains a partnership.

Methodology

3. The evaluation assessed how the partnership's structure and function have changed since the pilot phase, which areas have been most affected and why, and what are the current factors that affect the functioning of the partnership. The evaluation triangulated evidence from different information sources, and using both quantitative and qualitative methods for data collection and analyses. For the desk review, the main sources of information were the GEF Instrument, Council decisions, Replenishment documents, and previous over-all performance

studies. Perspectives of the Secretariat and Agencies were gathered through interviews, focused group discussions and an online survey. To gather perspectives at the country level, the evaluation drew upon interviews held with stakeholders in 11 countries including staff of GEF Agencies and national agencies executing GEF projects, GEF focal points and their staff, and members of civil society organizations and private sector organizations. In addition, the evaluation drew on feedback provided by at least 50 other countries through 13 Expanded Constituency Workshops (ECWs), 19 Country Portfolio Evaluations (CPEs), and another survey focusing on perceptions of GEF-5 performance at the country level, with questions covering cofinancing arrangements, System for Transparent Allocation of Resources (STAR), project supervision, the project cycle, results-based management, knowledge management, and National Portfolio Formulation Exercises (NPFEs). The mapping and quantitative analyses of the partnership's structure and function in terms of governance and communication was done using UCINET/ NetDraw, a social network analysis and visualization software¹.

Finding 1: The structure of the GEF partnership has increased in complexity in terms of number of actors, interactions and mandates.

4. When GEF began its pilot phase in 1991, there were 65 recipient countries and no formal governing structure. The formalization of ties among countries as well as with three Rio Conventions through the GEF Instrument in 1994 increased the number of recipient countries to 134, and the total number of actors (excluding non-recipient donor countries) within the structure to 147 (see Table 1). The expansion in the number of Conventions and GEF agencies, as well as further increase in the number of recipient countries, has currently brought this number to 174. However, while this represents an 18% increase in number of partners, the degree of interactions needed to make decisions has increased from 2% to 5%, or by 96% in relative terms.

5. The degree of interactions required for decision-making (or network density) is the proportion of existing interactions out of all possible interactions in a network, such as if each actor interacted collaboratively with every other actor that is part of the GEF network. Since 202 actors are included in this network analysis, most of who do not interact directly, the percentage of interactions is small. It is therefore the relative change in percentages that reveals the actual change in the network.

Table 1. Change in GEF governance structure

	Pilot	1994	Present
Number of actors	71	147	174
Degree of interaction needed for decision-making*	0.5%	2%	5%

*Based on network density

¹ Borgatti, S.P., Everett, M.G. and Freeman, L.C. 2002. Ucinet for Windows: Software for Social Network Analysis. Harvard, MA: Analytic Technologies.

6. This reflects the increase in the number of mandates that GEF works under. In addition to the four original focal areas, GEF has been asked to support the Conventions on persistent organic pollutants, desertification, and mercury. Apart from the GEF Trust Fund, the UN Framework Convention on Climate Change has also asked the GEF Secretariat to administer two other funds supporting least developed countries and adaptation activities. The GEF Secretariat also provides secretariat services to the Board of the Adaptation Fund established under the Kyoto Protocol. An increasing drive towards synergies among Conventions has also placed additional demands for coordination as well, as in the review of multi-focal area projects.

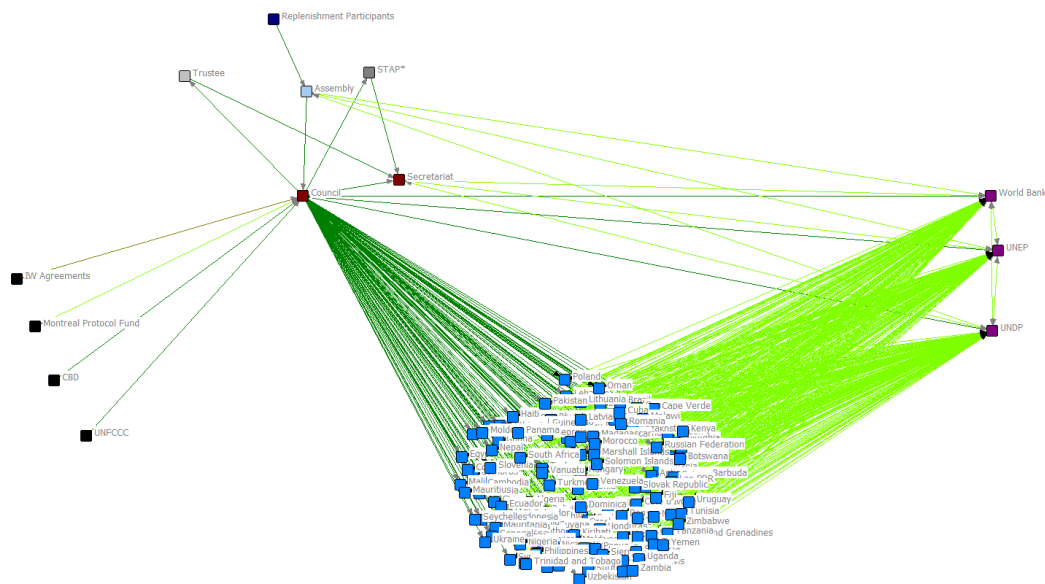


Figure 1. GEF structure for decision-making on policies, guidance and strategic priorities in 1994. Dark lines are direct mandates, while lighter-colored lines refer to collaborative decision-making.

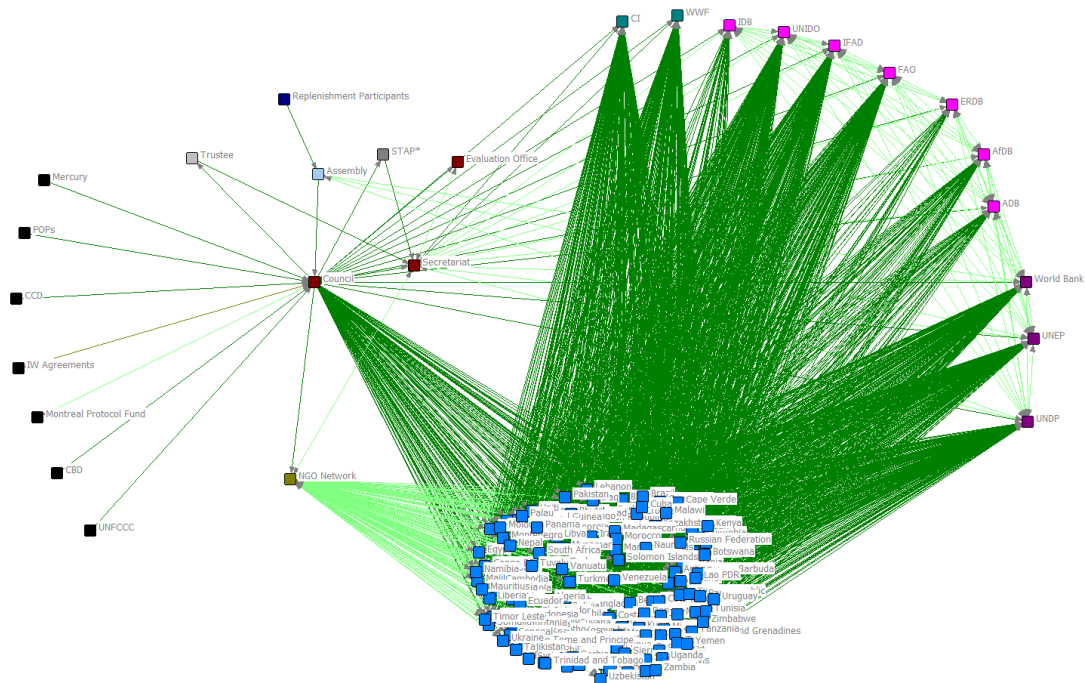


Figure 2. GEF structure for decision-making on policies, guidance and strategic priorities at present. Dark lines are direct mandates, while lighter-colored lines refer to collaborative decision-making.

Finding 2: The increasing need for coordination and the introduction of a resource allocation system have shifted the roles of countries, Agencies and the Secretariat.

8. OPS 3 concluded that over-all, towards the end of its third replenishment period, the GEF was a more robust, stable and effective institution than during its second replenishment period. Newly introduced Strategic Priorities and business planning processes were pointing towards greater alignment among the member institutions and helped address programming challenges. Coordination functions had moved to a network level through the increased use of focal area task forces, composed of staff-level representatives of the IAs, and by the increased coordination between task forces and the Executive Coordinators meeting, composed of executive-level representatives of the IAs and chaired by the GEF CEO (or senior management). The new Executing Agencies, while now given direct access to GEF funds, still did not participate in corporate activities as GEF partners.

9. But OPS 3 also warned that GEF might be reaching the limits of what could be done with a network organization. For example, it flagged the risk of mechanisms such as task forces and Executive Coordinators meetings no longer being as effective when expanded to include the new 7 Executing Agencies. OPS 4 echoed this concern. In GEF-4, the decision to include Executing Agencies in corporate decision-making and full implementation of projects was accompanied by the introduction of the Resource Allocation Framework (RAF), and a formalized Results-Based Management Framework.

10. A consequence of the RAF was that countries, knowing their available funds, became more interested and involved in the programming of GEF allocations. Figure 2 shows how decision-

making at the country level has shifted from a more consultative process in 1994 (light green lines) to a more direct approach at present (dark green lines), with countries now having a stronger mandate to decide on strategic priorities in portfolio development. Given the greater number of Agencies to choose from, and this revised perception of programming, the degree of interactions done by Operational Focal Points (OFPs) to exercise their decision-making has increased by a factor of 9. An assessment of available modes of communication, and the degree and frequency to which relevant topics are communicated shows that a typical CFP's communication activities have increased 1.3 times since GEF-4, especially in taking the lead in coordinating with country stakeholders through venues such as national multi-stakeholder dialogues (NDI), ECWs and NPFs. With the increase in number of Agencies and a greater role in programming, OFPs now have the greater burden to coordinate projects in the pipeline and communicate their decisions, and are facing challenges to fulfill this role.

11. The Secretariat also took on the role in GEF-4 of directly supporting CFPs and Constituencies, a responsibility that had previously been assigned to UNDP due to its extensive network of country offices. The Secretariat's external relations team was expanded to deal with this. While the number of staff doubled, the Secretariat's communication mandates have increased 4 times from what it used to be before GEF4 (see figure 3). The degree of communication is the sum of all interactions that an actor participates in within the network. Each interaction with another actor is measured using an index that integrates the frequency and intensity (i.e., the degree of agreement or preparation needed for a task to be completed) of communication. The index also sums up the diversity of topics being communicated, as well as the different modes by which these topics are communicated. The sum of all these indices is the actor's degree of communication with all other actors in the network, as shown for the Secretariat and Country Focal Point in table 2.

Table 2. Change in degree of communication activity after GEF-4

ACTOR	GEF-3	PRESENT
Secretariat	2%	13%
Country Focal Point	4%	10%

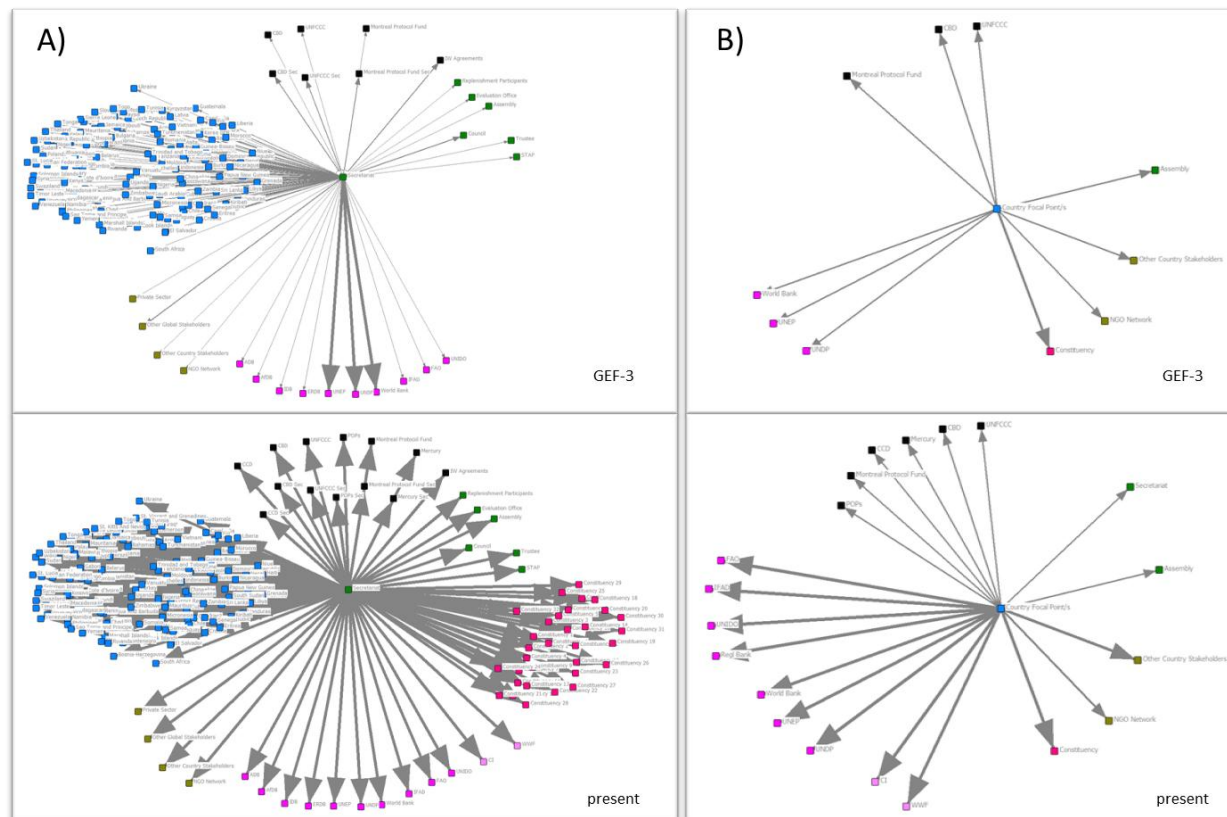


Figure 3. Increase in communication activities required of the A) Secretariat and B) Country Focal Points from the beginning of GEF-3 to the present. Thicker lines and larger arrowheads represent higher degrees of communication with specific actors.

12. Tensions in the network indicate that coordination within the current structure, especially in light of the move to open up the partnership of Agencies from the current 12, with the potential for an additional 8--almost 7 times the number before GEF-4--has become increasingly difficult to sustain. The majority of the Agencies interviewed, as well as the Secretariat, observed that consultation, much less coordination, during the development of operational policies had decreased. The Secretariat has dealt with the difficulty of coordinating what has become an unwieldy structure by becoming consciously selective in the documents that it sends to the Agencies for inputs. For some corporate discussion, all Agencies now need to be represented by one of them, to reduce costs. Agencies are concerned that while their participation has reduced, the Council continues to assume that the degree of collaboration on policy development has not changed.

13. The IAs, whose role has changed the most in terms of corporate collaborative decision-making, consider this a departure from the principle of partnership upon which the GEF was established. While some Agencies see this as a lack of transparency in decision-making, particularly when it concerns matters that impact their operations, the Secretariat sees this simply as the most feasible logistical solution. Some Agencies pointed out that for the sole reason that there were more institutions involved, there was less time for each Agency to speak during meetings such as task forces, which now also tend to be done less frequently, and remotely rather than face-to-face.

14. At the project level, a similar scenario has been observed. The higher number of Agencies and the introduction of reforms in the project cycle concerning the project review process have led to a higher frequency of communication through virtual means, but a less substantive discussion of project issues that those interviewed pointed out would greatly speed up the process and reduce frustrations on all sides. The repetitive interactions, according to Agencies' perceptions, are also due to the lack of clarity in the application of criteria for project approval, with different program managers requiring different levels of detail, for example.

15. Focused group discussions showed that many of the Agencies are convinced that the current fee structure does not provide sufficient funding for high-quality project supervision, thus agency staff and management time spent responding to Secretariat requests are perceived as imposing high opportunity costs, often with little or no value-added for the project (in the view of agency staff interviewed). This issue in turn triggers concerns over what is the appropriate role for Secretariat staff during operational phases – many implementing agency staff complained of “mission creep” within the Secretariat (see Figure 4). This issue also was observed beyond the level of specific projects, with some Agency managers voicing concern that during preparation for GEF-6 the Secretariat has inappropriately assumed a direct role in programming without consulting other partners, notably in the case of the proposed Signature Programs. Such consultation has increased after the second replenishment meeting. While almost all who were interviewed and surveyed agreed that roles are shifting within the network, the increasing involvement of the Secretariat in programming is not seen as a negative development by all. In the case of Agencies with less experience in environmental projects, this level of input is useful for increasing their capacity in developing projects.

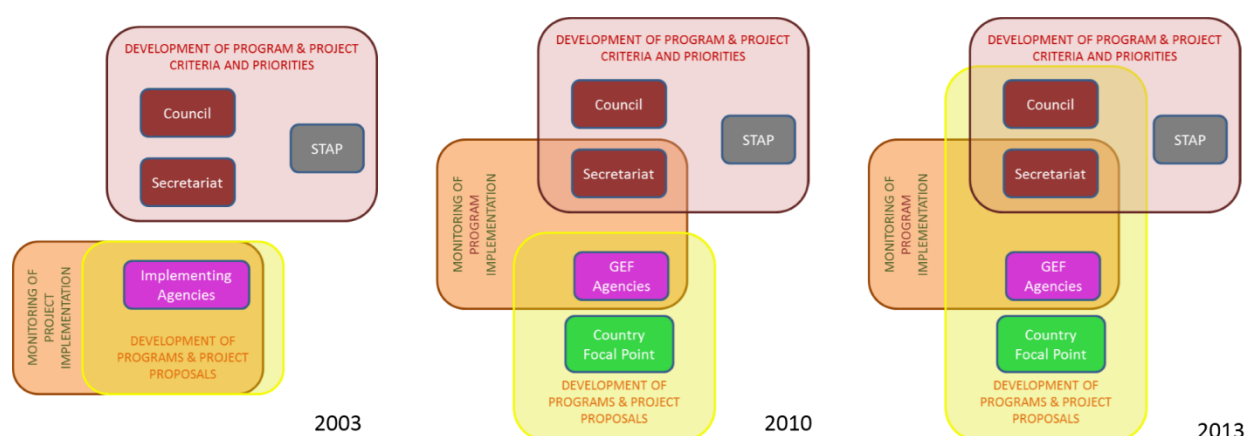


Figure 4. Roles and responsibilities in programming as clarified by the Council in 2003 and 2010, and current perception derived through interviews

16. Disagreement about roles was also voiced by Operational Focal Points (OFPs) and their staff. OFPs frequently raised the concern, also in country-level evaluations, that Agencies are primarily interested in obtaining their endorsement of project proposals, after which they have much less contact. Some CFPs spoke of being “lobbied” for their endorsement, and this view was echoed by other stakeholders who felt that at times Agencies have been overly aggressive in their efforts to obtain endorsement letters, or that government decisions on endorsement

have at times been non-transparent. Agencies, particularly the newer ones, on the other hand told of how they were usually in the dark about how decisions were being made by OFPs, developing a proposal only to find out that there was no allocation left for more projects. A very positive aspect of the changes in the GEF processes is that countries now have a clear leadership role in developing the GEF portfolio, fully in line with the objectives of the Paris Declaration. But there may also be unintended consequences related to challenges in ensuring that this process is transparent and equitable. It is also likely that some of the complaints are a natural consequence of a more competitive environment, in which there will be both winners and losers, with objections sometimes being raised about the fairness of a particular decision.

Finding Three: Increase in transaction costs, the drive for cost-effectiveness and a limited resource envelope have increased pressure throughout the partnership.

17. OPS 4 reported the emergence of tensions within the GEF network related to the rising risks of miscommunication. The three IAs felt that the Secretariat was not adequately drawing on, Agencies, and that the Agencies were not adequately providing support to the Secretariat in policy development for Council consideration. Country Focal Points also express concerns that Agencies were not working collaboratively to develop a coherent country program to address global environmental issues. These trends reported in OPS 4 have persisted and in some ways have intensified during GEF-5.

18. During country visits and interviews conducted with Agency staff, a number of issues was raised with the evaluators, identified which pertain to the health of the GEF partnership. Table 3 provides an overview of issues raised. Taken together, the interviews point to significant stresses for those partners most directly responsible for the operational aspects of the GEF portfolio (project identification and design, supervision during implementation, and completion), while partners primarily responsible for eligibility review and pipeline processes (OFPs and the Secretariat) had issues within a smaller cluster of categories. For the stakeholders as a whole, the most frequently cited issues pertained to communication, roles, resources, and transparency. Accountability and trust issues were the least-often cited over-all; though within certain groups these were reported as important issues (notably for GEF Agencies).

Table 3. Partnership Health: Key Issues Raised during Field Visits and Agency Interviews

Categories	Issues Cited	SEC	OFPs	GAs	NEAs	CSOs
Communication	Inadequate communication between partners	X	X	X	X	
Roles	Disagreement over partner roles	X	X	X		X
	Duplication of processes		X	X	X	
Resources	Unhealthy competition for resources			X		
	Inequitable allocation of resources		X	X	X	X

Categories	Issues Cited	SEC	OFPs	GAs	NEAs	CSOs
	Insufficient resources	X	X	X		
Transparency	Non-transparent procedures			X	X	X
	Undue influence of some partners	X		X	X	X
Accountability	Insufficient accountability	X			X	
Relationships	Lack of trust between partners		X	X		X

Note: SEC = Secretariat; GA = GEF Agencies; NEA = national executing agencies; CSO = civil society organizations

19. For GEF Agencies, accountability was the only category not cited as an important issue. Trust issues were raised by GEF Agencies and civil society; in the latter case, the issues centered on a perception that governments and implementing agencies did not have much confidence in the capacity of CSOs/NGOs to function as effective GEF partners, and that they were therefore often excluded from participation. In the case of GEF Agencies, a perception was expressed that the Secretariat sometimes showed a lack of trust in the Agencies' handling of GEF-financed projects, with a perceived tendency to micromanage and impose ad hoc requests for progress information beyond the agreed requirements; this was especially the case for staff of the three original IAs. This issue is also closely related to other topics, notably resources and roles. Some decisions of the former CEO were perceived as arbitrary and contrary to the interests of Agencies.

20. It is also notable that in sharp contrast with IAs, OFPs had few issues concerning the role of the Secretariat, with two exceptions: complaints about lack of clarity in administering the cofinancing requirements, and too-frequent changes in GEF procedures, reporting requirements, and documentation formats. Cofinancing was the one topic on which all stakeholder groups except the Secretariat shared concerns, whether due to non-transparent requirements, or concerns that the ratios demanded may be forcing out some small countries, NGOs, and the private sector (the latter view was also voiced by some Secretariat staff). The amount of time required to resolve cofinancing questions was another issue widely cited by all stakeholder groups other than Secretariat staff.

21. During country visits, OFPs expressed concern that agency fees are cutting into "their" country allocations, with several expressing the view that GEF Agencies are sometimes more interested in ensuring their continued role than they are in building national capacity to directly implement GEF projects. This view was also voiced by some national executing agencies and civil society organizations (CSOs). Some representatives of these three groups also expressed the view that the three IAs are in a privileged position within the GEF network by being more able than other groups to navigate complex administrative procedures and ensure that they retain an essential role. As noted previously, some OFP's commented that GEF Agencies are mostly visible when they need an endorsement letter, and are less visible after a project has been approved. But from the agencies' point of view, cost-cutting pressures impose unavoidable trade-offs, including the balance between upstream and downstream costs. OFPs from LDCs and SIDS tended to be more appreciative of the role of Agencies as they were helpful in overcoming their capacity constraints.

22. Agencies were the only group to raise the issue of unhealthy competition for resources. In their view, the original intention of making the GEF more inclusive by expanding the number of agencies was valid, as was the introduction of a resource allocation system to ensure cost-effectiveness of GEF financing. However, some Agency staff expressed concerns that too much emphasis on competition and cost-cutting may now be eroding the underlying principles of partnership and collaborative approaches. This view was indirectly endorsed by Secretariat staff who voiced concerns about a perceived tendency for Agencies to be overly-focused on cost recovery, at the expense of the GEF's original principles of partnership and comparative advantage.

23. To some extent these views may simply reflect a more competitive environment: because of the resource allocation policy, all GEF partners know precisely the amount of the budget envelope for each country and focal area. In many cases there are not enough funds for more than one project per focal area in a given country, making portfolio preparation a zero-sum situation for potential project sponsors. The survey results indicate that World Bank and UNEP feel the cost pressures the most acutely; the World Bank has seen the greatest decline in share of the GEF portfolio since the establishment of resource allocation during GEF-4, while UNEP has always had the smallest portfolio relative to its corporate costs. World Bank staff frequently commented that the average GEF project size has become difficult to justify given pressures on staffing availability and project preparation/ management time.

24. The newer Agencies mostly expressed neutral or positive views, reflecting that they have generally benefited from participation in the GEF though also acknowledging some cost pressures from accommodating GEF's project cycle with their own. The cost of corporate activities in terms of staff time and actual financial costs is something they find difficult to justify, which has led them to not participate in many of these. UNDP has been the main "winner" in the new environment--the smaller size of current projects is less of a problem for a UN agency than for a development bank, and with its extensive network of country offices and regional technical support units, UNDP has been particularly well-placed to quickly respond to project opportunities. By comparison, those agencies lacking a local field office were frequently mentioned by OFPs and national executing agencies as presenting difficulties with communication and follow-up on problems, both in project identification/preparation and during implementation.

Emerging Issues for the GEF-6 Replenishment

25. The findings of this evaluation are largely consistent with the findings of previous OPS reports, but point to a more urgent need to reexamine some of the original assumptions on which the GEF partnership model was established. Stakeholders are voicing serious concerns about several aspects of the current GEF arrangements, many of which are similar to those recorded during previous OPS evaluations. This study has shown that some of these pressures were to some extent simply the consequences of decisions which were made by the Council for valid reasons: the need to demonstrate value for donor funding, and a desire to make the GEF more inclusive and country-driven.

26. OPS3 observed that the expanding GEF may have reached the limits of what was feasible within a network organization, and warned that collaborative mechanisms such as task forces and executive coordinators' meetings would likely be less effective as the network continued to expand. OPS4 noted the reduced input of implementing agencies into GEF policy-making. The OPS5

evaluation has confirmed both of these conclusions, and has identified shortcomings with the present arrangements for consultation, decision-making, and resolution of disagreements. Another sub-study conducted for OPS-5 found a greatly increased burden of monitoring and reporting, at the same time that agencies are coming under increased pressure to reduce costs while also taking greater accountability for delivering results.

27. In short, there are fundamental differences about what are appropriate roles within today's GEF which the current business model does not address. Country ownership has become a basic principle of development assistance, and the Council has taken numerous measures which have significantly increased country-drivenness within the GEF, notably the resource allocation system (first RAF, then STAR) and the key role of country focal points in deciding the composition of each country's GEF portfolio, as well as the fourth minimum M&E requirement in the M&E policy to keep OFPs informed on M&E issues. Since GEF-3 there has been an increasing level of competition among Agencies and a requirement to document the results which have been achieved, which has significantly accelerated during GEF-4 and GEF-5. This stands in quite sharp contrast to the original model of a rather small group of partners operating along collaborative lines, with each partner given considerable autonomy within its agreed area of comparative advantage. Many stakeholders, including OFPs, expressed the view that they are now finding it difficult to ascertain the presumed comparative advantage of agencies; this can be expected to become more of a problem as the network adds more agencies. Some stakeholders now perceive the present GEF system to be functioning as something of a service-delivery model in which agencies operate within a competitive "market" environment, rather than a partnership characterized by shared values, transparency, democratic procedures, and mutual accountability.

28. Most Agencies still perceive the benefits of participating in the GEF to be greater than the costs. In their view, the main benefit is not financing but comes through expanded opportunities to mainstream global environmental concerns into their operations, and assistance in testing innovative technologies that no other donor or country will fund. Being plugged into a network of global practitioners with state-of-the-art knowledge on environmental approaches is another major benefit, expanding opportunities to exchange knowledge and improve project design based on experience and results from other countries and agencies. Finally, there remains considerable scope to develop and build upon synergy among agencies at the country level if comparative advantages are recognized and fully tapped. These aspects are important advantages of the GEF which should be at the center of the Council's thinking about rebalancing the Instrument to better reflect the present-day world in which the GEF is operating.

29. The GEF-6 replenishment offers an opportunity to revisit the question of roles and responsibilities across the system, taking into account the realities imposed by the organization that GEF has come to be, which has significantly evolved since the pilot phase. The world today is very different from that in 1991, and it is not surprising that some of the original assumptions may need reworking for the GEF to continue to function effectively. This should be done in an inclusive way, seeking to reinstate important principles in the GEF Instrument, including transparency and mutual accountability. It is not this evaluation's role to recommend how this rebalancing might be achieved, but it is now clear that the partnership needs to find ways to harmonize competing principles such as cost-effectiveness and competition on one side, and partnership, collaboration and trust on the other.

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