



GLOBAL ENVIRONMENT FACILITY
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Washington, D.C.

Agenda Item 05

REPORT ON THE WORKING GROUP ON THE GEF PARTNERSHIP

Recommended Council Decision

The Council, having reviewed document GEF/C.56/04, *Report on the Working Group on the GEF Partnership*, takes note of the deliberations of the Working Group and requests that the Secretariat continue to collaborate with the Working Group, in consultation with Agencies and other stakeholders, on issues related to the concentration of GEF resources across Agencies and the implementation of a 30% ceiling on the GEF's share of Agencies' portfolios with a view to further exploring, defining, and clarifying associated implementation modalities and presenting any associated recommendations for Council consideration at a future date.

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INTRODUCTION

1. The Council, at its 55th meeting in December 2018, and having reviewed document GEF/C.55/08, *Harmonizing the Rules and Requirements for All Agencies*¹, requested “that the Secretariat, in collaboration with a Working Group of interested Council members, consider questions around the concentration of GEF resources across Agencies, and develop further the modalities for the implementation of a 30% ceiling, and make recommendations for Council consideration at its 56th meeting in the Spring of 2019”.²

2. Pursuant to the Council’s request, this document presents a summary of the deliberations of the Working Group on the GEF Partnership, along with proposed next steps.

BACKGROUND

3. The Council’s request sets out two areas for further work: (i) the concentration of GEF resources across Agencies, and (ii) implementation modalities for a 30% ceiling on the GEF’s share of Agencies’ portfolios.

4. With respect to concentration, the Secretariat has defined it as a function of the number of Agencies in the GEF Partnership, and their respective shares of the GEF portfolio. As such, concentration has been addressed in previous analysis by the Secretariat and the Independent Evaluation Office, including in the context of the GEF-7 replenishment as well as past discussions on accreditation and the health of the GEF Partnership³. The Council has not decided on an appropriate level of concentration or measures to curb it.

¹ (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.55.08_Harmonizing_Rules_and_Requirements_0.pdf)

² *Joint Summary of the Chairs, 55th GEF Council Meeting, December 18–20, 2018*

(http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.55_Joint_Summary_of_the_Chairs.pdf)

³ See e.g. GEF/ME/C.50/06, *Evaluation of the Expansion of the GEF Partnership - First Phase*

([http://www.thegef.org/sites/default/files/council-meeting-documents/Evaluation%20of%20the%20Expansion%20of%20the%20GEF%20Partnership%20Final%20May%2010.p](http://www.thegef.org/sites/default/files/council-meeting-documents/Evaluation%20of%20the%20Expansion%20of%20the%20GEF%20Partnership%20Final%20May%2010.pdf)
[df](http://www.thegef.org/sites/default/files/council-meeting-documents/Evaluation%20of%20the%20Expansion%20of%20the%20GEF%20Partnership%20Final%20May%2010.pdf)); GEF/C.50/07, *Future Directions on Accreditation – A Follow-Up*

(http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.50.07_Accreditation_0_0.pdf);

Comparative Advantage, Adequacy of Funding / Financing, Health of the Expanded GEF Partnership and Governance Structure 2017 (<http://www.gefio.org/evaluations/comparative-advantage-adequacy-funding-financing-health-expanded-gef-partnership-and-0>); GEF/C.54/08, *Strengthening the GEF Partnership*

(http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.08_Strengthening_the_GEF_Partnership_1_0.pdf); GEF/R.7/06, *Programming Directions and Policy Agenda* (<http://www.thegef.org/sites/default/files/council-meeting-documents/GEF-7%20Programming%20Directions%20and%20Policy%20Agenda%2C%20Second%20Replenishment%20Mee...pdf>)

; GEF/R.7/10, *GEF-7 Policy Agenda: Analysis in Support of the Proposed GEF-7 Policy Recommendations* (http://www.thegef.org/sites/default/files/council-meeting-documents/GEF-7%20-%20Policy%20Agenda%20-%20GEF_R.7_10.pdf)

5. The notion of a 30% ceiling on the GEF's share of Agencies' portfolios was initially introduced in the context of the GEF-7 replenishment as part of an effort to ensure a level playing field for all Agencies, and therefore to harmonize relevant rules and requirements. The policy recommendations of the participants to the seventh replenishment of the GEF Trust Fund (GEF-7)⁴ – which were endorsed by the Council at its 54th meeting in June 2018 – provide that “the rules and requirements for the new, GEF Project Agencies should be harmonized with those that apply to other Agencies”, and – to that end – that “the Secretariat, in consultation with Agencies, present for Council consideration a proposal for updating relevant GEF policies and procedures, including the application across all Agencies of a ceiling of 30%, i.e. the total GEF financing for projects and programs that an Agency has under implementation shall not make up more than 30% of the total financing for projects and programs that the Agency has under implementation”⁵.

6. The above policy recommendation responds in part to the Council's decision, in 2011, on the accreditation of new GEF Project Agencies as part of a pilot to expand the GEF Partnership. The Council decided at the time that “total GEF grants under implementation cannot make up more than 20% of the total projects that the [GEF Project Agency] has under implementation”. This provision was intended to guard against the GEF Project Agencies becoming “overly dependent on GEF financing”⁶⁷.

7. Pursuant to the GEF-7 policy recommendations, the Council, having reviewed document GEF/C.54/08, *Strengthening the GEF Partnership*⁸, “[approved] the following policy measures, effective on July 1, 2018:

- (a) removal of the ceiling on the size of individual GEF projects for the GEF Project Agencies⁹; and

⁴ GEF/C.54/19/Rev.03, *Summary of the Negotiations of the Seventh Replenishment of the GEF Trust Fund* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.19.Rev_03_Replenishment.pdf)

⁵ *Joint Summary of the Chairs, 54th GEF Council Meeting, June 24–26, 2018* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54_Joint_Summary_of_the_Chairs_0.pdf)

⁶ GEF/C.40/09, *Broadening the GEF Partnership under Paragraph 28 of the GEF Instrument* (http://www.thegef.org/sites/default/files/council-meetingdocuments/C.40.09_Broadening_the_GEF_Partnership.04_26_11_1.pdf)

⁷ *Joint Summary of the Chairs, 40th GEF Council Meeting, May 24–26, 2011* (http://www.thegef.org/sites/default/files/council-meeting-documents/C.40_Joint_Summary_of_the_Chairs_0_4.pdf)

⁸ (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.08_Strengthening_the_GEF_Partnership_1_0.pdf)

⁹ These are the eight Agencies accredited as part of the pilot expansion of the GEF Partnership, carried out in 2011–2015 pursuant to the Policy Recommendations of the participants to the fifth replenishment (GEF-5): Conservation International (CI), the Development Bank of Latin America (CAF), Development Bank of Southern Africa (DBSA), Foreign Economic Cooperation Office, Ministry of Environmental Protection of China (FECO),

- (b) removal of the 20% ceiling for the share of GEF financing of a GEF Project Agency's total portfolio"¹⁰.

8. The Council further "[took] note of the GEF-7 policy recommendation on the application of a ceiling of 30% on the GEF's share of an Agency's portfolio, applicable to all Agencies [and requested] that the Secretariat, in collaboration with all Agencies, present complete and up-to-date information on the GEF's share of each Agency's portfolio, and a suggested way forward regarding the 30% ceiling, at the 55th Council meeting in the Fall of 2018"¹¹.

9. In response to that request, the Secretariat presented in December 2018 the document GEF/C.55/08, *Harmonizing the Rules and Requirements for All Agencies*¹². Having reviewed that document, and in addition to Paragraph 1 above, the Council "[took] note of the latest information on the GEF's share of each Agency's portfolio" and requested "Agencies to report to the Secretariat the volume of their non-GEF portfolios on an annual basis, starting on June 30, 2020, and the Secretariat to compile and present such reports for Council review and decision starting in the Fall of 2020". The Council further requested "the Secretariat to monitor the application of a 30% ceiling on the GEF's share of Agencies' portfolios, and report on progress and lessons learned at the 61st Council meeting in the Fall of 2021".

DELIBERATIONS OF THE WORKING GROUP ON THE GEF PARTNERSHIP

10. In accordance with the Council's request, the Secretariat invited interested Council members, alternates, and advisors to join the Working Group on the GEF Partnership on January 22. A total of 24 participants expressed an interest in joining the Working Group, representing 19 countries, of which 11 are GEF recipient countries. The Working Group met three times via video-/teleconference, on February 5, March 19, and May 2. In addition, various written inputs were prepared and shared between meetings. This section presents the Secretariat's summary of the group's deliberations along with supporting analysis and consultations. The summary was shared for review and feedback by the Working Group before Council circulation.

11. With respect to the scope and organization of work, participants expressed strong support for considering both issues set out in the Council's decision, namely the concentration of GEF resources across Agencies and the implementation modalities for a 30% ceiling on the GEF's share of Agencies' portfolios, noting that the issues are distinct yet interrelated.

Brazilian Biodiversity Fund (FUNBIO), International Union for Conservation of Nature (IUCN), West African Development Bank (BOAD), World Wildlife Fund (WWF-US).

¹⁰ *Joint Summary of the Chairs, 54th GEF Council Meeting, June 24–26, 2018*

(http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54_Joint_Summary_of_the_Chairs_0.pdf)

¹¹ Ibid.

¹² (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.55.08_Harmonizing_Rules_and_Requirements_0.pdf)

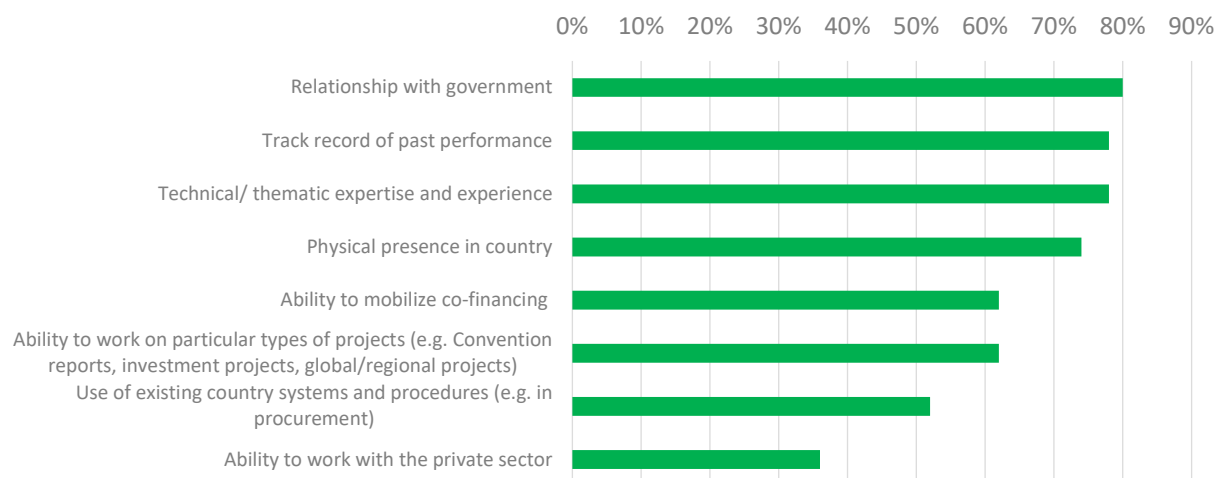
12. Participants agreed that their deliberations on the two topics should be informed by further input from recipient country stakeholders, as well as Agencies.

Survey of Recipient Countries' Operational Focal Points on the GEF Partnership

13. At the request of the Working Group, the Secretariat carried out a survey of recipient countries' GEF Operational Focal Points (OFP) to better understand the factors that drive countries' choice of Agency, as well as their views on the overall composition and functioning of the GEF's network of Agencies. The survey was launched on February 9 and responses were accepted until March 3. A total of 42 OFPs responded, of whom 45% were from recipient countries in Sub-Saharan Africa, 50% from least developed countries, and 19% from small island developing states.

14. Based on the responses received; relationships, track record, experience and expertise, as well as physical presence were identified as some of the key drivers of countries' choice of Agency (Figure 1). In contrast, fewer respondents considered Agencies' ability to work with the private sector a significant factor. In their comments, OFP respondents underscored the importance of a country-driven process to select the Agency best placed to implement a GEF project or program.

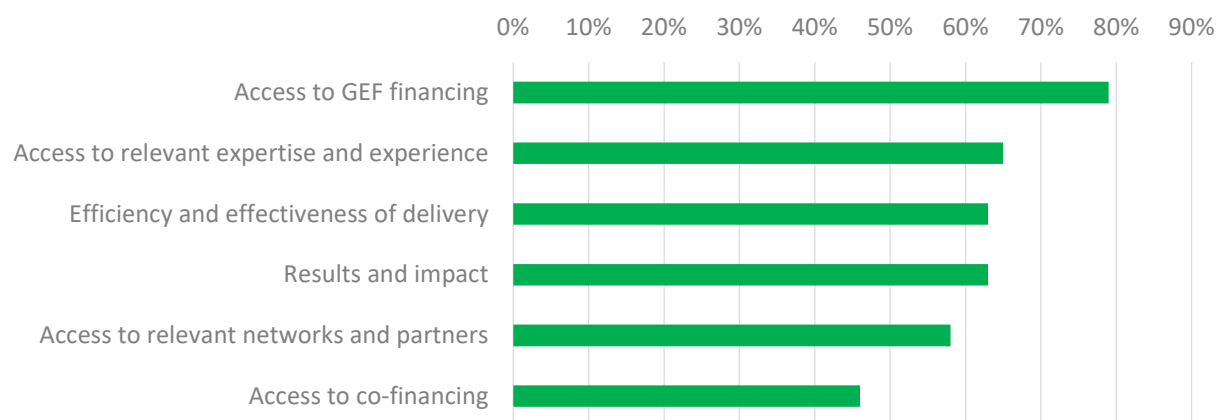
Figure 1: What factors determine countries' choice of Agency? (% of OFP respondents that rated the option "to a significant extent" or "to a very significant extent" on a five-point scale)



15. When asked about the most important characteristics of a well-functioning network of GEF Agencies, 79% of OFP respondents considered important or very important (i) countries' choice across a diverse selection of Agencies, and (ii) engagement and collaboration across Agencies.

16. In terms of the GEF's current network of 18 Agencies, at least 60% of OFP respondents felt that it met their expectations to a significant or very significant extent in terms of access to GEF financing, access to relevant expertise and experience, efficiency and effectiveness, as well as results and impact (Figure 2). Access to co-financing stands out as an exception in this regard, with fewer than half of all OFP respondents reporting that their expectations were met to a significant or very significant extent.

Figure 2: To what extent does the GEF's current network of 18 Agencies meet countries' expectations? (% of OFP respondents that rated the option "to a significant extent" or "to a very significant extent" on a five-point scale)



Informal Consultation with Agencies

17. At an inter-Agency retreat on March 13, the Secretariat presented the results of the OFP survey and invited Agency representatives to share their perspectives on the feedback received, as well as the broader topics discussed by the Working Group.

18. In their reflections, Agency representatives voiced a need for clearer strategic guidance going forward, including on the problem or problems that the Council sought to address with respect to concentration and a 30% ceiling, and the implications that any associated measures could have for Agencies and countries in the near term and beyond.

19. With respect to the GEF's share of Agencies' portfolios, some suggested that it was primarily an internal matter that should be addressed by each Agency's management and governing body. In addition, Agency representatives noted that reporting on the size of their active non-GEF portfolios was cumbersome and should be kept to a minimum.

20. As for countries' selection of Agency, representatives at the retreat noted that the process was both complex and highly context specific. Accordingly, Agency representatives cautioned that there was no simple way to influence that choice.

Guiding Questions and Participants' Perspectives

21. Following the first meeting of the Working Group, the Secretariat solicited Participants' written input based on the following guiding questions:

- (a) Is there a need to limit the concentration of GEF resources with a single Agency? If so, why, how, and at what level?
- (b) Is there a need to further develop the modalities for the implementation of a 30% ceiling on the GEF's share of Agencies' portfolios? If so, why and how?
- (c) What consequences should apply in the event that the GEF's share of an Agency's portfolio exceeds 30%?

22. In their written responses and subsequent discussions, some participants felt that concentration was indeed a risk, arguing that the GEF should not rely excessively on a single Agency or a very small number of Agencies. On the other hand, some participants noted that the GEF's portfolio remained concentrated with the three original Implementing Agencies¹³, all of which have a long track record of implementing GEF-financed projects and programs, suggesting that the risk of concentration might be low as a result.

¹³ UNDP, UNEP, and the World Bank

23. Participants did not propose a ceiling or other hard measure to curb concentration. Indeed, on concentration as well as the implementation of a 30% ceiling on the GEF's share of Agencies' portfolios, several participants emphasized that future measures should not be taken at the expense of countries' choice of Agency and continued access to GEF financing. In particular, participants raised concern over small island developing states, which rely on a relatively smaller number of Agencies, as shown in past analysis by the Secretariat¹⁴.

24. Some participants argued that the implementation modalities for a 30% ceiling were broadly sufficient as set out in the Council's decision in December. Others sought further assurances that the implementation of such a ceiling not result in any unintended consequences, such as constraints to certain countries' access to GEF financing, and that the measure be implemented in a differentiated manner – to be further defined – depending on the size and specialization of each Agency. Participants did not converge on what consequences should apply in the event that the GEF's share of an Agency's portfolio exceeds 30%.

25. Overall, while appreciating the input received from recipient countries' OFPs and Agencies, several participants argued that more information was needed to address the Secretariat's guiding questions, particularly regarding the process and decision factors associated with countries' selection of Agency.

Conclusions to Date

26. Having considered the results of the OFP survey and feedback from Agencies, and having exchanged views on the Secretariat's guiding questions, participants did not yet converge on specific recommendations to the Council on ways to address the concentration of GEF resources across Agencies. Instead, participants agreed that there was a need to continue to monitor concentration.

27. Specifically, participants agreed that the results of the survey did not fully explain the current level of concentration of GEF resources across Agencies, and that there was still a need to better understand how countries' make decisions about which Agency to work with. In this regard, participants also inquired how countries understand Agencies' different comparative advantages, and how relevant that concept is to countries' decision-making.

28. With respect to the implementation of a 30% ceiling, some participants argued that it was too early to decide on consequences in the event that an Agency exceeds the ceiling. Participants also wanted to learn more about Agencies' perspectives on this issue.

29. On both topics, participants agreed that further work should be based on the principles of countries' freedom to choose the Agency they wish to work with; the fair treatment of all

¹⁴ GEF/C.54/08, *Strengthening the GEF Partnership* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.08_Strengthening_the_GEF_Partnership_1_0.pdf)

Agencies, such as through an appropriate differentiation depending on the size and specialization of each Agency; and preventing any sudden disruption in the operation of the GEF.

30. To help explore some of these areas for further inquiry, participants requested the Secretariat to organize a meeting between the Working Group and Agencies on the margins of the 56th Council meeting in June 2019.

RECOMMENDED NEXT STEPS

31. Consistent with the above conclusions, and beyond the June 2019 Council meeting, the Secretariat proposes that it continue to collaborate with the Working Group, in consultation with Agencies and other stakeholders, on issues related to the concentration of GEF resources across Agencies and a 30% ceiling on the GEF's share of Agencies' portfolios with view to further exploring, defining, and clarifying associated implementation modalities and presenting any associated recommendations for Council consideration at a future date.