

# **Global Development Network**

## **Independent Evaluation**

Evaluation Report

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## Executive Summary

### Principal findings and recommendations:

- ¶ GDN's **programs and activities** meet a clear demand of a global market for development-relevant knowledge and are designed to build research capacity in those countries where it is most needed. These programs and activities must continue.
  - Our main recommendations aim at re-thinking priorities, introducing more competition into the allocation of funds for programs and activities, and increasing the effectiveness of some of the activities.
- ¶ There are weaknesses in the **structure and processes** through which the programs and activities are delivered.
  - Our recommendations are designed to overcome those weaknesses and build on existing strengths.
- ¶ GDN must attract greater support from donors to achieve **financial sustainability**.
  - We recommend a stakeholder conference to “take stock” and agree on measures to take GDN into the next phase, and we address further recommendations to GDN and to donors that are designed to increase donor support.

In this first Independent Evaluation of the Global Development Network (GDN), we – the evaluators (Dr. H. Peter Muth and Dr. Frederick H. Gerlach) – acquired enough information and impressions from visits to six Regional Network Partners (RNPs), interviews with over 90 persons and completed questionnaires to conclude that the GDN concept is unique and meets a clear demand in the market for development-relevant knowledge. The enthusiastic and dedicated staff of the small Secretariat is doing valuable work, and most of GDN's programs and activities are worth nurturing.

Given this positive general assessment, our report may seem overly critical on first reading, largely due to our focus on particular aspects of GDN. Considering that the programs and activities have been evaluated before, including very recently by the Secretariat, we focused more on the process of network/institution building, on governance and on financing than on GDN's programs and activities. That emphasis was also implied by the Terms of Reference and is reflected in our report. The GDN Secretariat's internal evaluation report, we understand, will be available to readers of our report and should be considered in conjunction with our report.

While we broadly concur with the positive assessment of GDN's activities as presented in the internal evaluation report, we do make a number of recommendations, summarized as follows:

- There should be an element of competition in the allocation of funds for the Regional Research Competitions to the RNPs, thus providing the RNPs with a financial incentive to work actively toward the achievement of GDN objectives.
- The Governing Body (GB) should schedule GDN's global conferences on a biennial or triennial basis and use the budget resources thus saved for other forms of South-South networking.
- The Secretariat should commission an independent consultant to examine ways in which the GDN website might be made more user-friendly and up-to-date.

- In the interest of enhancing its most important cooperative program, the Secretariat should follow up on suggestions made by the U.S. National Institutes of Health.

Turning to the other focus of our report, we have concluded that GDN must correct three strategic weaknesses if the organization is to survive and realize its full potential.

**GDN's first strategic weakness** is the – at times sharp – disagreement among important stakeholders on the objectives of the Network. While there is broad agreement on the overall goal of building research capacity, various stakeholders have different opinions on GDN's multidisciplinary agenda and promotion of policy relevance of research. We even found surprisingly strong disagreement among the members of the GB and within the World Bank on these issues. The lack of precise, agreed objectives makes it difficult to measure the success of an organization in achieving those objectives and thus to attract new long-term funding. Some donors are disappointed over what they perceive to be lukewarm support by GDN for multidisciplinary, policy relevance, and application of research to policy. Whether for this reason, or because of an alleged “World Bank whiff” surrounding GDN ever since the Bonn conference in 1999, some potential donors choose not to contribute to the GDN budget, and, reflecting a common pattern, only a few of the actual donors provide unrestricted funding. GDN has to date made no meaningful effort at attracting private donors.

To overcome this weakness, we recommend that

- GDN call a conference of stakeholders, including all current, past and potential donors, to “take stock” and to launch the next phase in GDN's development with unambiguous, actionable objectives that lend themselves to being translated into specific activities and measurable targets, to the extent possible given the difficulty of measuring research capacity.
- The GB formally subscribe to the agreed statement of mission and objectives.
- The Secretariat a) review GDN's current activities against the agreed objectives and develop future activities accordingly and b) reconsider whether its current RNPs are well suited to implementing the activities GDN supports in the pursuit of its objectives.

**The second strategic weakness** concerns governance. GDN's current structure reflects a commitment to policy-relevant, multidisciplinary development research without intervention from governments or donors, but the GB's membership neither subsumes the entire “development spectrum” (including policy makers and development practitioners) nor includes representatives of bilateral or private-sector donors. Also, while some members of the Secretariat and GB have held senior management positions, both bodies lack business-sector experience and particularly fund-raising experience in the private sector. And yet effective oversight of the business aspects of GDN's operational and financial management is becoming indispensable – if only to satisfy donors' requirements of accountability.

To overcome this weakness, we recommend that

- A Business Board be established on which all main donors would be represented. This Board would approve the business strategy of the Network and generally ensure that GDN is administered in a business-like manner.
- The current GB be converted into an Academic Board, with altered composition in the interest of promoting policy-relevant research. This Board would continue to be responsible for all non-business aspects of GDN's activities.

- The Business and Academic Boards meet in joint session once a year to review the strategy, activities and operations of the Network, as well as the state of GDN's finances and its financial management.

**GDN's third and most serious strategic weakness** relates to the nature of its financing. Although GDN has made strides toward expanding and diversifying its donor base, in the absence of broader donor support its prospects for long-term financial sustainability are poor. The great majority of GDN's "core" budget still comes from the World Bank, which, according to our soundings, is reluctant to continue indefinitely in such a dominant role.

We believe that donors will respond to a GDN initiative aimed at jointly launching the next phase. To this end, we recommend that

- The Secretariat prepare a draft long-term GDN operating and financial strategy for discussion at the proposed "stock-taking" conference.
- All donors present at the meeting be asked to detail, and discuss ways of eliminating, the obstacles to their making multi-year funding commitments to GDN.
- Following the conference, GDN review and, if appropriate, revise its operating and financial (including fund-raising) strategy.

We suggest that the GB consider a bold parallel action: a request to World Bank President Wolfensohn (an early strong backer of GDN) for help in raising a sizeable endowment. The endowment would be managed by independent trustees.

We also address weaknesses in the management of GDN. They became evident when we examined the Secretariat's approach to preparing decisions on three strategic issues facing GDN: the move of the Secretariat to a developing country; the future legal status of GDN; and the need to ensure GDN's financial sustainability.

We recommend that GDN

- Commission competitively selected, independent consultants with relevant credentials to assess whether, respectively, the relocation and legal-status decisions satisfy the requirements derived from the critical success factors.
- Develop a comprehensive operating and financial strategy that includes a strategy for funding future programs and activities.
- Appoint a Deputy Director/Business Manager, to be responsible to the proposed Business Board.

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Where does GDN go from here? We believe that, following the proposed "stock-taking" meeting of GDN's stakeholders, the Secretariat should prepare an action plan with an urgent, but realistic time line, to identify milestones on the road to implementation of the plan and to assign responsibility for specific actions to employees of the Secretariat or, in a few cases, external specialists. Implementation of the action plan should enable GDN to progress toward long-term financial sustainability. We hope that our report will contribute to this goal, because GDN is indeed an endeavor worth sustaining and enhancing.

**ACRONYMS**

ADB	Asian Development Bank
AERC	African Economic Research Consortium (RNP – Sub-Saharan Africa)
AMC	Awards and Medals Competition
BRP	[GRP on] Bridging Research and Policy
CERGE-EI	Center for Economic Research and Graduate Education – Economics Institute (RNP – Eastern and Central Europe)
CGAP	Consultative Group to Assist the Poor
DFID	[UK] Department for International Development
EADN	East Asian Development Network (RNP – East Asia)
EERC	Economics Education and Research Consortium (RNP – CIS)
ERF	Economic Research Forum for the Arab Countries, Iran, and Turkey (RNP – Middle East and North Africa)
EUDN	European development Research Network (RNP – Western Europe)
FY	Fiscal year
GB	Governing Body
GDN	Global Development Network
GDN-NA	GDN – North America (RNP – North America)
GNet	The umbrella title for GDN’s online information initiatives (Web site: <a href="http://www.gdnet.org">www.gdnet.org</a> )
GRP	Global Research Project
IDEA	International Institute for Democracy and Electoral Assistance
IDLO	International Development Law Organization
IE	Internal Evaluation (of the GDN Secretariat)
IO	International organization
LACEA	Latin American and Caribbean Economic Association (RNP – Latin America and Caribbean)
NIH	National Institute of Health
ODN	Oceania Development Network (RNP – South Pacific)
RNP	Regional network partner

RRC	Regional Research Competition
SANEI	South Asia Network of Economic Research Institutes (RNP – South Asia)
ToR	Terms of reference
UK	United Kingdom
UNDP	United Nations Development Programme
UR	[GRP on] Understanding Reform

## Independent Evaluation of the Global Development Network

**Note:** Like any effort to distill a lot of information into its essential points, this Evaluation Report requires countless decisions regarding the inclusion or exclusion of supporting data and argumentation. In the process, points of interest to some readers may have been left out. Readers should consult the Background and Research Materials (“Background”, for short) on matters of particular interest to them. To make such consultation easy, the outline of the Background conforms closely to that of this Report, the chapters and sections of which refer readers to the corresponding Background text or Appendices.

### **Chapter 1. Assignment Details** (Chapter 1 of the Background)

**Introduction.** This is the first Independent Evaluation of the Global Development Network (GDN or “the Network”). The Terms of Reference (ToR; see Appendix 1) note that

... considering that GDN has been established only in December 1999, a short time horizon of its operation may significantly complicate or even hinder an assessment of its impact and sustainability. Therefore this round of evaluation should focus on the process of network / institution building / governance / financing. In particular, the evaluator should investigate how GDN sets and pursues its objectives and what progress has been achieved so far. The later rounds of evaluation – expected to be conducted every three years – will fully concentrate on GDN’s impact and sustainability.

In keeping with these instructions, we have not made a *systematic* effort to evaluate GDN’s activities, and the findings in this report regarding the development impact of GDN are preliminary. Nonetheless, we have arrived at conclusions regarding GDN’s sustainability that, in our view, require action well before the next evaluation takes place. The other consequence is that our report may seem overly critical on first reading, largely due to its focus on particular aspects of GDN. GDN’s programs and activities, which we assess as generally very good, have been studied and analyzed before, including very recently by the Secretariat. That internal evaluation report, we understand, will be available to readers and should be considered in conjunction with our report.

**Evaluation Team** (Section 1.2 of the Background). The invitation for applications for the Assignment specified that the work be carried out by a Principal Evaluator and a Research Assistant. Instead, the authors (H. Peter Muth and Frederick H. Gerlach, hereinafter referred to as “we”) – both educated to PhD level and with over 30 years of relevant, complementary experience – applied, and were selected, as a team of “two seniors”. Having worked for more than 15 years on joint assignments in developing countries, we allocated the work between us in accordance with our geographic and professional experience, and availability. We are independent consultants who were not involved in the genesis or implementation of the GDN project in any way. We researched and wrote this report jointly, and it reflects the professional judgment of both of us.

**Methodology and Data Sources** (Section 1.3 of the Background). Our work consisted of four “activity blocks”: participation as observers in research conferences; over 90 interviews, conducted in all but three cases in person, the others by telephone; questionnaire-based surveys; and desk research. We visited six of the 11 GDN regions, four of which were holding conferences at the time. We contacted all members of the Governing Body (GB) by e-mail – inviting them to express their preference as to how they wished to communicate their views to us. We received completed questionnaires from 13, with whom we conducted six follow-up interviews, and we interviewed two

GB members who had not responded to the questionnaire. We also attended the Fifth Annual Global Development Conference held in New Delhi on January 28-30, 2004.

We met individually with most employees of the Secretariat, as well as with numerous representatives of important stakeholders – network officials, researchers, discussants and donors – and others with an interest in, or providing services to, GDN, e.g., GDN's auditors and the author of the draft international organization charter for GDN. We complemented personal interviews with questionnaires that we distributed or sent to regional network officials, discussants and researchers with whom we did not manage to speak during the busy conferences, as well as to donors. All financial data in this report were taken from audited reports or conveyed to us by GDN.

We decided to treat all interviews and questionnaires as confidential, even when controversial recommendations in this report might have benefited from the acknowledged support from a named source. We have identified by name all interviewees and questionnaire respondents in Appendix 2.

The websites of the Network and of the regional network partners provided, besides access to literally hundreds of research papers, a wealth of organizational, financial, survey and performance data. All our requests to the Secretariat for data and information were dealt with promptly and to our complete satisfaction. The Secretariat also provided us with a copy of its own recent internal evaluation (IE) of the Network. We have relied on this document for factual descriptions, especially of the activities supported by GDN. In this report we occasionally comment on the statements and opinions contained in the IE.

We are most grateful to all individuals who supported our work in a variety of ways. If this evaluation contributes to a strengthening of GDN, they are owed a debt of gratitude, not only by us as authors, but also by the future beneficiaries of a vibrant Global Development Network. We have endeavored to reflect the views of our interlocutors faithfully, but we may not have always succeeded. We take full responsibility for any errors of fact or interpretation.

## **Chapter 2.       Activities** (Chapter 2 of the Background)

As noted in Chapter 1, we interpreted the ToR as excluding a *systematic* effort to evaluate GDN's activities. Nonetheless, in the course of our many interviews and of our attendance at RNP meetings, impressions and ideas emerged that we feel warrant the attention of the GB and donors. We touch on some of these elsewhere in this evaluation. In this section, we summarize these impressions and ideas systematically.

It appears from our research that no significant changes have been made in GDN's principal activities since it was spun off from the World Bank. Since GDN has been functioning for only four years, this lack of change is to be expected, but we believe the time has come for the GB formally to examine whether GDN's current activities and the budgetary resources allocated to them remain appropriate or whether changes should be made in the light of evolving priorities and requirements.

**Recommendation:**

- ¶ The GB should appoint – after consulting the participants in the “stock-taking” conference we are recommending (see Chapter 3) – a high-level ad hoc committee, ideally with policy-maker and donor representation, to examine GDN’s current activities and to consider changes, deletions or additions, including (as directed by the GB) the recommendations appearing in this evaluation or in other reports. This committee should report to the GB on its findings within one year.

**Regional Research Competitions (RRCs)** (Section 2.1 of the Background). Based on funding amounts, and on comments we have heard from a wide variety of interlocutors, the RRCs represent GDN’s most important activity. As noted by the Secretariat, they build research capacity in social sciences while promoting well-conceived and policy-relevant research in developing and transition economies. At least to some extent, they address all three of GDN’s program objectives as currently worded.

According to the Secretariat’s internal evaluation, by February 2004 GDN had contributed more than \$14 million to the RRCs and thereby funded almost 490 projects. In 2003, funds allotted to each regional network for the RRCs ranged from \$200,000 to \$300,000 (Table 1). We have reviewed the independent evaluation of the RRCs, conducted in May–December 2001, and have no reason to take issue with its generally favorable findings. Under GDN’s decentralized RRC model, the RNPs have wide latitude in the use of funds as long as there is conformity to key standards – notably a transparent, competitive process in which proposals are judged and papers mentored by recognized experts within and outside each region. GDN’s partner networks in developed countries have been providing expertise to the RRCs. As GDN has reported, this combination of money and expertise is what leads to successful research capacity building in the developing and transition economies.

**Table 1: Funding for RRCs and Auxiliary Capacity-Building Activities, 2000–2003**

Region	2000	2001	2002		2003	
			RRCs	ERI & Other	RRCs	ERI & Other
South Asia	400	405	325	190	300	-
Sub-Saharan Africa	400	405	300	-	300	-
East Asia	300	305	275	-	250	310
Eastern and Central Europe	400	405	250	190	250	190
Commonwealth of Independent States	300	305	250	-	250	-
Middle East and North Africa	400	405	250	-	250	-
Latin America and Caribbean	400	420	275	330	200	573
<b>Totals</b>	<b>2,600</b>	<b>2,650</b>	<b>1,925</b>	<b>710</b>	<b>1,800</b>	<b>1,073</b>

Note: Figures for 2003 include grants to support the Education Research Initiative (ERI) and other components of the Regional Research Consortia Capacity-Building Program. Source: GDN

The decentralized model has worked well, but inevitably means, of course, that the RNPs may sometimes make their own members (or GDN itself, when it comes to interpreting contracts) unhappy by doing the unexpected - or failing to do the expected. We cannot judge which RNP system provides the best return on GDN's dollars in the RRC program, but we do note that the practice of dividing the pool essentially the same way each year tends to create an entitlement mentality. Table 1 (above) shows how the available pool has been divided in the four years starting with 2000.

We share the belief of many of those we interviewed that it would serve GDN's objectives to introduce an element of competition *among* the RNPs as well as within each one. Interregional competition might be introduced in various ways. GDN might, for example, withhold 20% of the funds (this would have amounted to ca. \$360,000 in 2003) for allocation to the RNPs with the most multidisciplinary research projects or that can demonstrate particular success in bridging research and policy. A detailed plan for proceeding with such competition is for the Secretariat, in consultation with the GB, to determine.

**Recommendation:**

- ¶ The GB should authorize the Secretariat to devise ways of allocating RRC funds at least partially on a competitive basis, with a view to providing the RNPs with a financial incentive to work actively toward the achievement of GDN objectives.

Pursuit of other GDN objectives might also be encouraged through the RRC program. For example, local fund-raising might be promoted by a GDN offer of matching funds up to a specified amount. Dissemination of research results might be encouraged through a bonus for each paper published in a recognized journal. And greater "South-South" contact might come through a pool of grants for research competition on an interregional basis (separate from the Global Research Projects; see below).

How to make the RRCs as policy-relevant as possible is an issue that preoccupies our interviewees. Three ideas (some of which individual regions may already be employing) make sense to us for GDN to consider as requirements to be imposed on the RNPs in the RRC competition process:

- In consultation with policy-makers (the "demand side" of the "knowledge transaction"), specify the policy area(s) in which the competition is to take place.
- Bring in non-academicians (e.g., members of policy think tanks, policy-makers) into the review and mentoring process.
- Require that all papers include an abstract, in layman's language, indicating how the research results might be applied to policy situations.

In its supervision of the RRC program, the Secretariat quite rightly imposes periodic reporting requirements on the RNPs to assure that contractual terms are met. We understand that these requirements have at times been a source of controversy between the Secretariat and some RNPs. While we have not looked into this matter in depth, we point out the importance of the Secretariat's not adding to the RNPs' workload through the imposition of any reporting requirements not contractually agreed to at the beginning of the funding round. According to the Secretariat, such requirements are imposed only when the RNPs agree to them contractually. However, since all RNPs work with several donors, many of which have agreed to standardized reporting formats. GDN should try to use the agreed format as much as possible.

The biggest problem in the RRC program is that, despite its popularity, it currently lacks a strong donor constituency and thus is under-funded relative to both historic levels and the amounts that the RNPs could usefully employ. How GDN might do better in attracting funding from other donors, and generally in raising funds for its programs, is an issue being addressed in Chapter 4. In this section we merely note our impression, based on visits to RNP conferences, that beneficiaries of this important GDN activity often are not aware of the source of the funds they are receiving. It would be appropriate, we believe, for the Secretariat to require that the RNPs' funding award letters – and the published articles resulting from funded research – each include a “credit” to GDN (as well as, of course, to any other funders of the research).

**Awards and Medals Competition** (Section 2.2 of the Background). As stated in the Secretariat's internal evaluation, the GDN Awards and Medals Competition (AMC) is a cooperative mechanism for funding research that was established in 2000 by GDN and the Government of Japan to raise interest in and foster new knowledge on development issues among social science researchers throughout the developing world. Since 2000, 2,007 scholars representing over 100 countries have participated, and more than two million dollars has been distributed in awards and travel to finalists and winners.

The AMC is one of just two main activities under the sole control of the Secretariat (the other being GDNNet; see below) – i.e., with no formal RNP inputs. Our investigations revealed that there appears to be excellent geographic diversity among the applicants and that the winners/finalists, who are invited to present their papers at the annual Global Development Conference (see below), gain great exposure that may help generate funding from other sources. The Secretariat is to be congratulated for its success in assuring that the AMC is genuinely open to all academic disciplines.

The global awards are subject to a rigorous, three-tiered evaluation, judging from our own observation. Several persons told us, however, that the global awards lack a formal peer review process like that of the RRCs and GRPs. While this view is clearly erroneous, there is obviously a need to publicize the process for award selection better. We also encountered some feeling that the award amounts are higher than they need to be and that there could be improvement in the manner in which the awards were publicized and presented. For the most part, however, the AMC activity appears to be relatively popular and uncontroversial, perhaps because it is the smallest and the only one of the five main activities that enjoys full donor support.

**Global Research Projects** (Section 2.3 of the Background). The Global Research Projects (GRPs) are a kind of hybrid activity. Like the Global AMCs, the GRPs are designed, funded and implemented centrally. Like the RRCs, however, they involve cooperation with the RNPs. The GRPs have grown rapidly into “the means of cross-fertilization of research generated in different parts of the world,” as the Secretariat put it, and by FY 2003 had become GDN's largest activity in dollar terms.

The first GRP – “Explaining Growth” (EG) – was completed in 2002. We found mostly enthusiasm for this project, not only because “big names” were involved as thematic and regional resource persons but also because its launch on a decentralized basis gave the RNPs a sense of ownership. According to a GDN-commissioned “participatory impact assessment” of the project, most GRP stakeholders regard “the project's objective of compiling the most comprehensive assessment of economic growth in developing and transition countries [as having been] met.”

The next two GRPs – “Bridging Research and Policy” (BRP) and “Understanding Reform” (UR) – are under way. While it is too early to assess the impact of these new GRPs, in our contacts with RNPs we encountered less enthusiasm for them than for EG – a reaction that may in some cases be due more to changes in the administration of the GRPs than to the choice of topic. One RNP

source told us that, with its more centralized administration, the RNPs “feel left out and have no incentive to get involved despite the obvious relevance of the subject.” Another well-connected RNP source told us that the shift toward centralization was the result of budgetary limitations – which would be understandable, since the EG implementation mode was clearly very expensive.

We take no position on this RNP perspective, other than to make three points. First, the RNPs cannot be expected to be enthusiastic about activities, like GRPs, that are beyond their control, particularly if these activities appear to reduce the funds available for the popular RNP-controlled RRCs.<sup>1</sup> Second, as one member of the GB told us, GDN is not obligated to work solely through the RNPs. But it *is* obligated, in consultation with the GB, to fund all of its activities adequately and to make the hard decisions on priorities when funds are limited. Finally, as with the Global AMC, centralization of the GRP management creates opportunities for researchers who are not associated with the RNPs. We have seen no evidence that the GRPs have suffered particularly from the lack of RNP enthusiasm. For example, we understand that 370 proposals were submitted in an open competition held within the framework of the BRP project; only 23 could be accepted.

A reduced role for the RNPs means, of course, that leadership of the GRPs must come from other sources. The Secretariat’s approach, enunciated for BRP, is that the “GDN will provide an administrative umbrella but the project will have strong involvement and leadership by developing country researchers and policy makers.” Our analysis of the respective steering committees suggests that the governance of these projects appears appropriate. Anecdotally, however, we got the impression that researchers of the South were not really leading the GRPs in the manner that the Secretariat implies.

One of our interlocutors argued convincingly that the steering committees should be at least partially reconstituted halfway through the projects, to bring in “new blood” and fresh thinking. The same source was critical of the practice of relying on open calls for papers, even though a competitive approach has a positive effect on research quality. If one wants to produce policy-relevant research, this person pointed out, one should opt for a “demand-side” approach, find out what policy-makers want to know, and commission papers accordingly.

The last point we will make about the GRPs is that there was uncertainty among our interlocutors as to how GRP project topics are chosen. Given the importance of the GRPs, and the fact that another topic will presumably have to be chosen before too long (if the pace of one new one per year is to be kept), the Secretariat and GB may wish to consider clarifying publicly the process by which topics are chosen.

**Annual Global Development Conferences** (Section 2.4 of the Background). Inaugurated in response to a frequently voiced need for a forum in which researchers could interact face-to-face and network with their colleagues from around the world, the conferences have become a leading GDN activity in terms of budget resources and staff time devoted to it. They bring together finalists of GDN’s AMC; selected RRC grantees; participants of the GRPs; leading researchers from 11 networks who serve as session chairs, presenters, and discussants; representatives of the RNPs, including network heads and coordinators; representatives of GDN’s institutional partners, such as the World Bank, International Monetary Fund, and UNDP; policymakers and representatives of civic organization and business invited as speakers and attendees; members of the GB, GDN Secretariat staff, and GDNet team; and (not least) donors.

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<sup>1</sup> According to the Secretariat, funds for GRPs are almost always restricted and thus would not be available for the RRCs. From the vantage point of the RNPs, however, RRC funding has declined by an order of magnitude roughly the same as the current GRP funding level, which may explain the suspicion on the part of some RNPs that the one activity has grown at the expense of the other.

The conferences also offer workshops on particular topics (seven prior to the formal start of the Delhi conference) and venues for groups that just need to meet somewhere – thus allowing members to “kill two birds with one stone”, i.e., save on travel costs by combining attendance at the annual conferences (assuming they would have attended in any case) with attendance at their group meeting.

There is no doubt that the annual conferences serve a need and that many participants have found them valuable, as the anonymous survey conducted at the Cairo conference demonstrated. (Of course, the fact that the respondents were attending implies that they expected such conferences to be worth their while. It should also be noted that GDN generally pays all of the expenses for the great majority of conference attendees.<sup>2</sup>) The question is whether, as organized, the conferences are worth the cost (nearly 17% of GDN’s budget) and whether the need for a networking forum might not be served in another, more cost-effective manner.

Among the persons we interviewed, no other major GDN activity was questioned as much as the annual conferences. Verbatim comments ranged from “always the usual suspects attending – the world doesn’t need more conferences” to “jamborees – I have no need to hear [named political celebrity] pontificate”. In fairness, we must add that, some of our interlocutors had never attended a conference, or attended only one, while others praised the conferences, focusing in particular on the networking opportunities they offer. (One prominent RNP official called the Rio conference a “fantastic opportunity to network” in a city she had never before visited. Feedback after the Delhi conference included an email from a Chilean anthropologist, who said he had “benefited enormously from the diversity of issues that were discussed.”)

We were invited to attend the Delhi conference to present our draft findings to the GB and to a joint GB-donor meeting. That done, we had ample time to sit in on presentations and other events and to talk informally to a large number of participants. While we encountered a few critical participants, most were highly complimentary about the event (including the impeccable organization). In several instances, the positive comments went well beyond those one would have expected from a grateful invited guest. From our own observations it appeared that sessions were generally well attended (in contrast to the situation reported to us by attendees at the Rio conference, where there were high levels of “truancy” due to the nearby extra-curricular attractions). If there was a common theme among the critical observers in Delhi, it was the absence of policy makers (or “policy drafters”, as distinct from top government officials).

While, understandably, the views of participants in the Delhi conference were mostly favorable, the preponderance of opinion we encountered in our other meetings and questionnaire responses was that the conferences cost more than they are worth as presently organized. While most advise against abolishing them completely, they advocate scaling them back or holding them less frequently (biennially or triennially), with the resources saved being used for other types of networking events that might be geared to bringing together policy drafters.

In contrast to the reservations about the annual global conferences, we found an almost universal demand for more South-South networking opportunities. The logic of the situation thus points to the following recommendation for GDN’s activities.

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<sup>2</sup> In the case of the Delhi conference, the Secretariat reported that 673 attended. Of this total 140 were local (i.e., without travel or subsistence expenses) and 105 were “self-pay” (i.e., persons whose expenses usually were covered, not by GDN, but by their respective employers). The number of attendees includes those at the workshops even if they did not stay for the conference and also those who may have cancelled just prior to the conference. Local participation exceeded 140, since some persons were known to have attended particular sessions without registering.

**Recommendations:**

- ¶ The stock-taking conference (see Chapter 3) should seek the views of donors funding the conferences in their current format and of other donors regarding the frequency and size of the global conferences.
- ¶ The conference should consider the alternative of scheduling the global conferences on a biennial or triennial basis and use the budget resources thus saved for other forms of South-South networking, such as
  - A program of mutual South-South attendance at RNP annual conferences.
  - Interregional policy conferences on specific themes, bringing together policy-makers, academicians, businessmen and media.

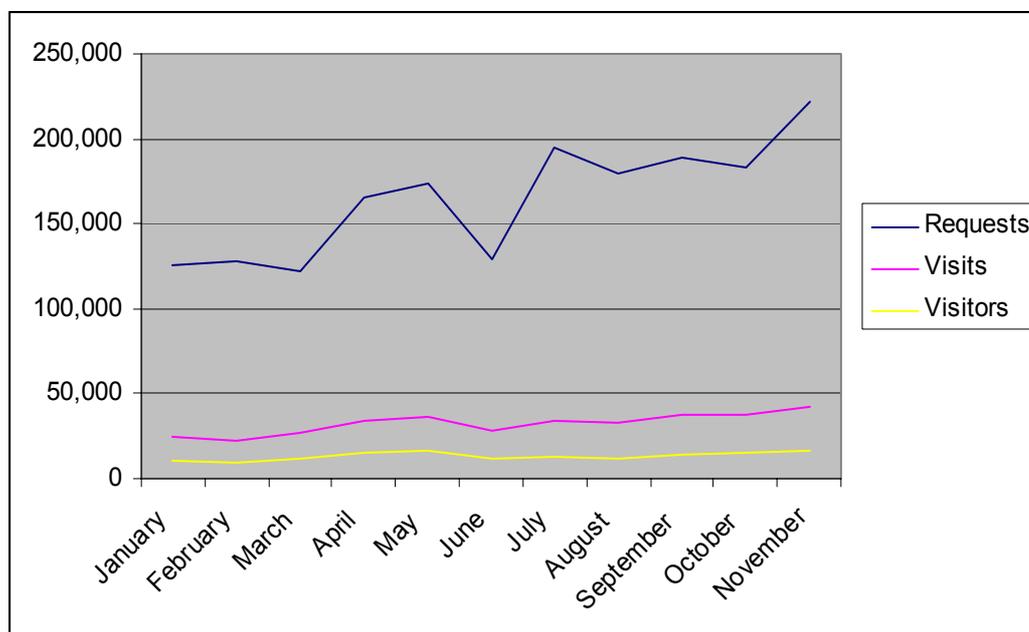
Finally, several persons thought that the global annual conferences needed better follow-up. As one senior researcher told us, “Everyone goes home and there is no cooperation afterwards“. We have no specific recommendation to offer in this respect, but the GB might wish to consider ways of addressing the criticism. The change to a biennial or triennial format would make follow-up both more feasible and more advisable.

**GDNet** (Section 2.5 of the Background). The GDN activity that generates the most widespread support, and virtually no controversy, is GDNet, with its three primary objectives:

- To enable institutes and researchers in developing countries to communicate their knowledge more effectively to others by linking them into a global network and showcasing their work.
- To help build the dissemination capacity of research institutes by providing training, professional support and other services to upgrade skills in knowledge management and the provision of new internet-based services.
- To provide social science researchers in developing countries with access to resources enabling them to improve their research.

At a cost of just under 7% of GDN's total budget, GDNet is tapping the most powerful communications tool of the globalized world to reach researchers wherever Internet capacity exists. Usage of the medium is increasing steadily, as Figure 1 (overleaf) shows.

Besides its obvious value as a communications and database tool, GDNet appears to us to be playing a major role in pushing the RNPs toward greater multidisciplinary through GDNet's regional windows. Four such windows (i.e., pages on the main GDNet website) are now in operation, representing the regions Middle East and North Africa, Sub-Saharan Africa, Central and Eastern Europe, and the Commonwealth of Independent States. The windows are anchored in their respective RNPs by the fact that their managers, or “regional coordinators”, are resident employees of those RNPs. The contractual function of the coordinators, however, is to supplement the RNPs' own website marketing by targeting users in all social sciences, not just economics, and by seeking alliances with institutions that the RNPs may well overlook. Obviously, these users represent natural potential participants not only in GDN's other activities, notably the GRPs and the Global AMCs, but also in the activities of the respective RNPs.

**Figure 1: GDN's website traffic, January–November 2003**

Source: GDN

For explanatory notes, please see the Background, p. 19.

GDNNet's forthcoming "migration" from its technical base at the University of Sussex, in England, to "Smart Village", on the edge of Cairo, is similarly serving GDN's objectives in several ways. First, by availing itself of the Egyptian government's generous offer of prime office space and technical assistance for the move, GDN is saving well over \$100,000 in moving costs and, we understand, actually reducing overhead costs that were previously payable to ERF. Second, the move represents another step toward GDN's goal of relocating operations in the developing countries. Finally, as a result of the fortuitous fact that the Egyptian government has hitherto viewed GDNNet's Cairo operations as an extension of ERF, GDN is able to portray the relocation to Smart Village as a kind of consolation prize to Egypt in the competition for relocation of the GDN Secretariat itself. Had the Egyptian government seen the result more negatively, it might not have made such a generous offer for the Smart Village operation.

GDNNet appears to be well-managed as an "autonomous" unit of the Secretariat, but it will be tested in the coming two years not just by the technical "migration" to Smart City, but also by the fact that its Washington-based "Knowledge Associate" and "Content Coordinator" will not be moving permanently to India. Whether this transition can be made seamlessly remains to be seen. (In response to this comment in our draft report, the Secretariat pointed out that 1) the Knowledge Associate plays no role in managing GDNNet technically, but rather manages the Secretariat's IT requirements and those of the conference; and 2) since content coordination involves canvassing the RNPs for information, it can be done from anywhere. Our concern is that the experience of the person performing those functions will be lost when the Secretariat moves to Delhi.)

There is one negative point to make. Several of our interlocutors complained that the website was "cluttered", hard to navigate and not updated frequently enough. We understand that a major in-house site redesign was completed in July 2003. An effort had been made at that time to strike a balance between what was convenient for regular users and how the site appeared to first-time

users. We suggest that, given the high level of site visits resulting from online searches (see Figure 1), the balance struck may not have been optimal and that the issue ought to be revisited.

**Recommendation:**

- ¶ The Secretariat should commission an independent web design and Internet marketing consultant to examine ways in which the GDN website might be made more user-friendly and kept up-to-date.

**Other Activities** (Section 2.6 of the Background). GDN's main "other activity", with the U.S. National Institutes of Health (NIH, which provides \$2 million vs. GDN's \$150,000), is based on the concept that health and economic development are closely related; i.e., that good health is essential for human beings to be able to contribute to a country's economic activity and that countries that are growing well can afford better health care. GDN's funding enables it to influence the criteria for applicant selection and project implementation, such as the need for capacity building and for working through the RNPs. There is a peer review in the selection process, but project implementation involves almost no NIH "hands on" activity other than the requirement of annual reports. Researchers themselves decide how the required policy impact is to be achieved.

In our view, the program is a good example of how GDN can leverage its own limited funds. NIH has two sensible suggestions for improving the relationship:

- Get the RNPs more involved in the research NIH is funding, especially since much of this is done by doctors who are unfamiliar with social science research methods.<sup>3</sup>
- Find a way to involve NIH in the selection of topics for the Global AMCs. In this way, GDN could assure that research, in the health sector at least, is demand-oriented.

**Recommendation:**

- ¶ In the interest of enhancing this important cooperative program, the Secretariat should follow up on these suggestions.

Under the rubric "other activities," we would recommend two additions when funds become available. One is training in various multidisciplinary areas, notably in research methodology and proposal writing. Another is an effort to encourage philanthropy in the Third World as a means of mobilizing private capital for development purposes and helping put RNP finances on a more solid basis.

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<sup>3</sup> The Secretariat informs us that the current collaborative program with NIH involves economists and other social scientists and, as such, serves as a good example for its other activities.

### Chapter 3. The Global Development Network (Chapter 3 of the Background)

**The Origin of the Network** (Section 3.1 of the Background). Initially conceived in the World Bank by staff in the Office of the Senior Vice President and Chief Economist, GDN was formally launched in December 1999 at its first annual conference in Bonn. The United Nations, the governments of Japan, Germany and Switzerland, a group of regional research networks, and a number of other international development institutions supported the launch.

On 15 March 2001, GDN was incorporated in the State of Delaware as a non-stock, non-profit corporation. The move was intended to open up the Network to other sources of funding and, at the same time, to weaken the perception of GDN as a World Bank-dominated organization and “Trojan horse” for World Bank orthodoxy in development research. As of early 2004, a further change in the legal status of GDN to that of an international organization (IO) is in train.

The launch of GDN had been preceded in 1999 by a survey of 512 research institutions around the world, 202 of which responded. Over 80% of respondents claimed economics as one of their principal activities. To this day, GDN is dominated by economics and economists.

Important GDN activities are largely administered through the regional research networks that are GDN’s main partners (RNPs). Since each of RNPs has economics as its primary focus, many observers raised the issue of whether GDN itself was focused excessively on economics or was open to all social sciences. At its second meeting in Washington in May 2001, the GB addressed this issue with its Statement of the Governing Body on Promotion of Research in All Social Sciences, asserting that “GDN will support high quality, policy oriented research in the social sciences.”

In line with this statement and in keeping with efforts by the GB and the Secretariat to involve other social scientists, four new members from the fields of political science and sociology joined the GB. GDN’s activities are designed to be attractive to researchers from all social sciences, and the RNPs have been asked to formulate GDN activities such that all social science researchers can participate.

**Mission and Objectives** (Section 3.2 of the Background). Definitions of GDN’s mission in official documents – including the articles of incorporation and the first report on governance - have a common core but differ in their emphasis from the mission statement that the Secretariat has identified to us as GDN’s official mission statement, which emerged from the consultative process established following the conference in Bonn in 1999 (see below) and reads as follows:

*The Global Development Network, a worldwide association of research and policy institutes, promotes the generation, sharing, and application to policy of multidisciplinary knowledge for the purpose of development.*

The key elements of GDN’s mission that may be distilled from six different mission statements we quote in Background (p. 24) are policy relevance, multidisciplinary (a term that is not found in the dictionary but is widely used throughout the Network), development orientation, capacity building and networking.

The website translates the mission statement into four specific GDN objectives (emphasis added):

- “To foster the *generation of new socioeconomic knowledge* for the purpose of development
- To encourage the *sharing of that knowledge* through networking and various dissemination channels

- To support the *application of that knowledge* to policy primarily in developing and transition economies but also for international development in general
- To *raise funds* for the implementation of GDN's agenda from both public and private sources around the world."

Throughout this report, we shall refer to the first three as the "program objectives" and to the fourth as the "sustainability objective".

While there is broad agreement on the overall goal of building research capacity, there is no agreement among important stakeholders on the precise meaning of the objectives. The wording on the website is sufficiently general to be acceptable to a broad church of stakeholders, but their representatives, when questioned about specifics, differ – at times sharply – in their interpretations, especially of the first three objectives (see Background, p. 24). This disagreement, we feel, is the first of GDN's three **strategic weaknesses**.

We found disagreement on the definition of multidisciplinary and policy relevance (first and third of the program objectives) to be widespread among GB members, RNP officials and participants in GDN's activities. Moreover, we found surprisingly strong disagreement on GDN's mission and objectives within its primary donor, the World Bank. Essentially, some officials there feel strongly that building research capacity at the grass roots should be GDN's mission, to be pursued, if necessary, by building new networks of promising institutes that are not yet networked rather than by working through GDN's more "elitist" and exclusive existing RNPs. Others prefer the way actually taken, i.e., GDN support of specialized research through institutes linked by the RNPs. Some are thus disappointed with GDN as it currently operates, but they face the argument that the alternative would have taken years to implement and that, in such a case, the World Bank itself might have been much better suited to realizing that vision than GDN.

It is worth recalling that the decision to embrace all social sciences was not taken until May 2001. Nevertheless, there is evidence of some progress in the pursuit of multidisciplinary – for example, a 158 percent increase in applications from non-economists in CERGE-EI's 2002 round of the RRCs (as compared with a 42 percent increase in applications by economists). Also, the Secretariat points out that, given the autonomy of its partners, it must use persuasion, negotiation and compromise rather than coercion in promoting its goals. Nonetheless, representatives of donors other than the World Bank we met with, perhaps failing to differentiate between the Secretariat's energetic efforts and the results actually achieved, appeared disappointed with what they perceive to be GDN's lack of success in terms of multidisciplinary, policy relevance, and application of research to policy. All pointed to institutions of one type or another in their respective countries that pursue those objectives much more vigorously. However, the donors we visited are unlikely to become major GDN supporters for another reason: the "World Bank whiff" which, they claim, still follows GDN.

Numerous sources told us that donors were invited to the Bonn conference in 1999 for a "participatory design process", i.e., to discuss democratically the mission, objectives and future activities of GDN, but – in effect, if not in these words – were told by the Bank that 'this is how we are going to do it.'

The Bonn meeting did discuss alternative governance structures for GDN and set up a working group to design GDN's mandate and governance structure. The working group reported to the Tokyo conference, and the deliberations of the group were in the public domain and were influenced by inputs from a worldwide electronic discussion. Donors were also invited to a follow-up GDN Interim Donors' Meeting in Brussels on June 7, 2000, just six months after Bonn. Hosted by the European Union and having attracted more than 20 agencies, this meeting discussed the

design of GDN, including its activities. It also marked the start of annual donors' meetings held in conjunction with the Annual Conferences.

This consultative process notwithstanding, it is clear that, for some of our interviewees at least, this process did not overcome the lingering concerns left by the Bonn conference – which, we were told, explains why to this day donors complain about the “World Bank whiff”. The strong views on this issue suggest that the Bonn conference organizers did not foresee the longer-term consequences of the fact that the democratic discussion many participants expected apparently did not take place to the satisfaction of all.

We are of the opinion that the Secretariat should be concerned about donor perceptions of this issue, even if they are factually in error. The positive reaction of donor representatives to our presentation of draft findings at a joint donor-GB session in New Delhi – described by some donor representatives as a welcome contrast to past such meetings – confirmed to us that there is a need for the “stock-taking” meeting we recommend below.

We have encountered evidence of continuing debate over GDN's objectives in questionnaire replies from and/or personal interviews with members of the GB, RNP officials, discussants, researchers, and donors. For some institutions – notably political parties and other special interest groups – lack of precision in defining a mission statement and objectives is essential for their ability to attract large numbers of followers and supporters. In GDN's case, the lack of clarity and focus in our view is one of the reasons why its founder, the World Bank, has remained by far the largest financial supporter of the Network and why GDN, as we shall see later, has so far fallen short of achieving the fourth, i.e. “sustainability”, objective listed on its website (see above). It has also meant that even within the Bank there is a continuing discussion of the role of GDN.

Lack of precision in defining the objectives of an organization makes it more difficult to measure the success of the organization in achieving those objectives. As GDN's program objectives are worded, the results of its activities defy accurate measurement. Over time, results may become visible in the form of improvements in a situation that is at present unsatisfactory, but those improvements will be gradual and changes difficult to measure from one year to the next. That said, it should be clear that measuring research capacity will remain difficult no matter how precisely objectives are defined.

The sustainability objective listed on the GDN web-site (“to raise funds for the implementation of GDN's agenda ...”) refers to activities designed to achieve the underlying objectives of (i) ensuring the survival and sustainability of the Network by diversifying its funding base and (ii) increasing its relevance, both through a larger operating budget and by completely freeing GDN from the perception – still lingering in some places – of being unduly influenced by the standards of “Washington orthodoxy”. This perception is a by-product of the facts that the World Bank remains the main source of the Network's funding, that important positions in the Secretariat are held by former World Bank staff, and that the GDN Secretariat is located “around the corner from” World Bank headquarters in Washington.

**Recommendations:**

- ¶ GDN should take the initiative and organize a conference of stakeholders to take stock and launch the next phase of GDN with a democratically agreed, clearly defined mission and unambiguous, actionable objectives – listed according to priority – that lend themselves to being translated into specific activities.
- ¶ The GB should formally subscribe to the agreed statement of mission and objectives and thenceforth be bound by them.
- ¶ The Secretariat should review all of its current activities against the agreed objectives and develop future activities accordingly, and it should reconsider whether its current “distribution network” of RNPs is best suited to implementing the activities GDN supports in the pursuit of its objectives.

**Structure and Organization** (Section 3.3 of the Background). GDN is a highly decentralized operation. The small Secretariat – its central administrative hub – organizes the implementation of some Network activities, monitors others, and manages its financial resources. It is supervised by a GB whose 18 members represent all 11 GDN regions, three social science disciplines, the World Bank and UNDP; they are located on five continents. RNPs are the implementing agents for much of the Network activities.

This formal structure is supported by a large informal network of individual academic volunteers – discussants, reviewers of research proposals and reports, mentors of researchers – who appear in the GDN organization chart only in the form of the developed-country networks, but without whom the Network could not function as it does at present. The Network has some 5,500 electronically-registered members – institutions and individuals – that have no formal rights but are from time to time consulted electronically on issues of policy. GDN’s online newsletter has about 12,000 subscribers, individuals and institutions.

*Regional network partners* (Section 3.3.1 of the Background). GDN is a network of networks, the RNPs, which joined GDN without giving up their independence. In fact, funding by GDN accounts in two regions for a relatively small share of the total RNP budgets, as Table 2 (overleaf) shows.

From the outset, GDN deliberately chose to work with, and through, seven RNPs in developing and transition countries. (An eighth – OCEANIA, in the South Pacific - has recently been added.) By going through a ready-made “distribution network”, GDN got a “running start”, allowing it immediately to demonstrate its relevance by funding activities the regional networks were prepared to implement. The downside of the decision was that GDN did not “own” its distribution network and that its leverage, i.e., its ability to influence important RNP decisions, was likely to be commensurate with GDN’s financial contribution to the RNPs’ budgets.

The alternative would have been for GDN to set up its own distribution network by forming new networks of research institutes, think tanks and individuals. While this approach would have created a loyal network that owed its existence to GDN, we believe that this would have been an impossible logistic undertaking for the small Secretariat and might have fostered opposition among the established networks, thereby making the task even more difficult.

**Table 2: RNPs – GDN Grants as a Percentage of Total Partner Revenues**

<b>Regional Network Partner</b>	<b>Total Annual Revenues, all Sources, FY 2002 (A)</b>	<b>GDN grants FY 2002, including education funds (B)</b>	<b>(B) as % of (A)</b>
AERC (Sub-Saharan Africa)	\$8,848,101	\$400,000	4.5
CERGE-EI (Eastern and Central Europe)	\$1,579,636	\$490,000	31
EADN (East Asia)	\$304,979	\$300,000	98
EERC (Commonwealth of Independent States)	\$1,516,659 (FY 2003)	\$777,157 (FY 2003)	51
ERF (Middle East and North Africa)	\$4,636,141	\$460,030	10
LACEA (Latin America and Caribbean)	\$410,812	\$300,037	74
SANEI (South Asia)	\$419,958	\$405,000	96
ODN (South Pacific)	NA	0	NA
EUDN (Western Europe)	NA	0	NA
GDN-NA (North America)	NA	0	NA
GDN-Japan	NA	0	NA

EUDN, GDN-NA and GDN-Japan do not receive GDN funds for RRCs. ODN was formed after the reference year.

See Appendix 3 for footnotes and explanations of data.

Sources: GDN, EERC

We believe that differences in their history, cultural and academic traditions and leadership style go a long way towards explaining the mixed success GDN has had in getting the RNPs to accept its own priorities and objectives. In one case, the African Economic Research Consortium (AERC), there appears to be a reluctance even to recognize GDN's role in the AERC Annual Report. All RNPs appear to be alike in one respect, however: Economics research projects tend to account for the majority of total research projects funded by GDN, and economists are preeminent in RNP leadership positions, as they are in the GB and the Secretariat. Almost invariably, other social scientists claim to be fighting an uphill battle for academic parity and genuine multidisciplinary – and several donors have expressed their disappointment at GDN's inability to ensure that its funds address what they consider to be a genuine flaw in the orientation of the development-oriented research capacity in developing countries: the continuing prevalence of economics and economists.

There is no short-term solution to this dilemma. The RNPs were established as economic-research networks. Multidisciplinary probably does not figure among the stated objectives of any RNP, and deliberate efforts at making research policy-relevant are rejected by several network heads as

potentially undermining academic independence, integrity and quality. Given the current structure of the Network and the autonomy of the RNPs, there is no mechanism for the enforcement, throughout the Network and based on centrally-determined parameters and standards, of any kind of agreed policy in pursuit of GDN's objectives, if they differ from those of RNPs.

GDN holds two weak "trump cards" – money and the broad consensus that accepts GDN's general mission – with which to support activities in pursuit of that mission. The former trump card would seem to warrant an effort at defining what constitutes value for money in the GDN context and then monitoring if money does indeed produce value. When that can be demonstrated to the donors' satisfaction, some may be more forthcoming with financial support than they are today.

#### **Recommendations:**

(Note: The effectiveness and impact of these recommendations are predicated on the implementation of the previous recommendations to clarify the GDN mission and objectives.)

- ¶ The Secretariat should define measurable targets that reflect GDN's agreed objectives to the extent possible given the overall goal of building research capacity and the difficulty of its measurement.
- ¶ Following stakeholder approval of the targets, GDN should provide future funding for GDN-supported activities in a manner that is best designed to encourage the RNPs to aim at the targets.
  - RNPs that seek funding from GDN should be asked formally to commit themselves to the mission statement, the objectives and the targets.
- ¶ GDN monitoring should be based on, and limited to, agreed criteria that reflect the targets.
- ¶ RNPs should be rewarded financially for the achievement of targets.
- ¶ GDN should plan for the eventuality that one or two networks may opt out of the GDN ambit. It should seek donor support for gradually building up new networks that subscribe fully to the mission and objectives of GDN.

*Membership* (Section 3.3.2 of the Background). The By-laws of the Corporation define two kinds of members, Class A and Class B. In practice, Class A membership of GDN consists of eleven RNPs, the World Bank and UNDP, the International Economic Association, the International Sociological Association and the International Political Science Association. GB members from the various regions represent the local research communities. The RNPs organize the selection of the GB members through a widely advertised call for nominations. Selection committees then make the final decisions. These members have nominated most, albeit not all, of the current GB members (see Appendix 4).

According to the By-laws, Class B Members are persons or organizations that "are genuinely interested in the Corporation's purposes and activities". They have no voting rights and may not attend meetings of the GB. The Annual Report for 2002 lists "Donors and sponsors", but these are not the Class B Members defined in the By-laws. There appears to be no such category of members at present.

GDN also refers to subscribers to its internet services as “registered members”. These include institutions and researchers actively involved in development research registered with GDN’s Knowledge Base. Registered members have no formal rights in the affairs of the Network. However, the Secretariat has tried to involve them – so far with moderate success in terms of participating numbers – in on-line discussions of potential interest to those members, most recently concerning the future legal status of GDN (see below).

**Management** (Section 3.4 of the Background). The Secretariat is the executive organ of the Network. It is supervised by the GB. Its Director, Lyn Squire, is a former World Bank executive who was also deeply involved in the preparatory work leading to the establishment of GDN. Squire, who is responsible for the general management of GDN, has an outstanding CV and is highly respected for his academic credentials, dedication, enthusiasm and integrity. While he has his critics, most observers agree that, at present, GDN is “unthinkable” without him. His contract runs until July 31, 2006, and we have gained the impression that he may not seek an extension. He is determined both to oversee the successful relocation of the Secretariat (see below) and to assure the financial sustainability of the Network.

The Secretariat participates with the GB in conceptualizing GDN activities and is responsible for implementing GB decisions concerning GDN activities, for monitoring the use of GDN funds by the RNPs, and for accounting to donors for the use of their funds. Its workload is heavy and complex. Generally speaking, we were impressed with the professional credentials, high motivation and dedication of the small Secretariat staff. Our specific reservations concern the Secretariat’s ability to manage the *business* aspects of GDN. While several members have experience in managing large programs, none has the business management training or experience needed by the organization (see box).

#### Experience of GDN’s Professional Staff

The director managed the World Bank’s 80-person strong Research Department for several years in the 1990s; the department had a budget of close to \$20 million. Designing business plans, budget submissions, and staff plans were routine activities in this position. In the late 1990s he managed the \$50 million budget, staffing, and business plans for the entire Development Economics VP in the World Bank. The Director has also been involved in setting up research networks around the world – ERF, SANEI, and EADN.

The principal economist managed a research-funding budget of close to \$10 million when working at the International Development Research Centre in Canada. He has also planned and developed large regional and global research projects as well as a new Masters course in Economics.

The senior political scientist worked as assistant director of a research institute prior to coming to the United States. In this capacity she organized and developed programs of a new institute, recruited personnel, and managed salaries and career development. She also oversaw management of databases and financial and research reporting and built consensus with institutions and researchers.

We believe that it is particularly the lack of skills in planning, strategic management and financial management (as distinct from financial controlling) that helps to explain the manner in which the Secretariat has dealt with three of the most crucial decisions facing GDN: the relocation of the Secretariat, the legal status of GDN, and the achievement of financial sustainability. Our concern is heightened by the fact that many GB members do not appear to recognize this weakness or, if they do, have done little by way of addressing this problem.

The Secretariat does not have an experienced business manager with strengths in corporate planning, financial management and raising capital for his organization. We believe that the position of Deputy Director and Business Manager should be created and internationally advertised (see recommendation below). If a candidate is found who combines the missing strengths with excellent academic credentials, GDN could be spared a difficult succession problem at the top of the organization in two years' time.

*Location of the Secretariat* (Section 3.4.1 of the Background). At its very first session, the GB decided that the Secretariat should shift out of the World Bank to another location in Washington, D.C., and that the question of a further move (to a developing country) would be revisited within three years. After extensive research by the Secretariat and discussion by the GB, the GB voted, at the Cairo conference in January 2003, to relocate the Secretariat to New Delhi in 2004, subject to reaching agreement with the Government of India on a number of important issues. Cairo was the runner-up. The GB also decided to keep an office in Cairo, where GDN will continue to be managed, and to consider a recommendation by the Secretariat to keep a liaison officer in Washington to maintain close contact with the World Bank.

We have reviewed available documents and also discussed the matter with individual members of the GB and the Secretariat, with RNP officials, with discussants and other volunteer supporters of GDN activities, and with researchers and other stakeholder representatives. We summarize below what we consider to have been the main points and results of the relocation debate to date.

- There was no discussion of the most advantageous location for the Secretariat; rather, the discussion focused on the most advantageous location *in a developing country*. We understand that the views of a small number of important donors on this issue were sought and that, on the whole, they support the move to a developing country and do not object to a move to New Delhi.
- The comparative evaluation by the Secretariat of five short-listed cities was based on a number of practical and relevant criteria (see box overleaf). However, over one-half of the respondents to our questionnaire were not satisfied with the discussion of the issue or had reservations about it. GB members listed a number of additional criteria that, in their opinion, were not given adequate consideration, including the following:
  - Good infrastructure
  - Low operating costs
  - Neutrality of the location
  - Personal preferences of Secretariat staff
  - Accessibility
  - Prospects of raising funds
  - Favorable government attitude
- The Secretariat's Relocation Report, as we interpret it, implies that New Delhi was ranked lowest in terms of official support and next to last under local conditions. We were told that the Secretariat staff agreed with the conclusion that GDN could function in all five cities but favored Cairo and Mexico City in that order. We understand that, for personal reasons, a majority will not move to New Delhi but that some would have considered moving to one or another of the other short-listed cities.
- Operating costs appear to be higher in New Delhi than in three of the other short-listed cities, and the decision is unpopular with a large majority of those individuals across the RNPs with whom we spoke and who are familiar with the issue. Several individuals, including a member of

the GB, argued that the Secretariat should not become “captive” to any of the seven developing GDN regions but be located in a neutral location such as Austria, Canada, Germany (specifically, Bonn), Sweden or Switzerland.

#### Relocation of the Secretariat: Report on Short-Listed Cities

The report was prepared by the GDN Secretariat following visits to the five short-listed cities in 2002: Cairo (September 20-27), Istanbul/Ankara (October 14-18), Mexico City (November 18-22), New Delhi (October 20-23), and Prague (September 16-19). For each location, information was collected on two sets of factors.

- **Local conditions:** These included flight availability and travel costs for a “typical” GDN year, access to internet and other dimensions of technological capability, office availability and costs, and presence of an open and thriving academic community. Visits were also made to law firms in each city to check issues regarding employment of foreign workers and other aspects of operating in the country.
- **Official support:** Visits were also made to each government to assess possible support to GDN including privileges typically accorded to international organizations (especially tax exemptions), financial assistance for office space and technology, sponsorship of a Research Medal, and willingness to serve as official sponsor of, and participate in, GDN’s annual conference whenever it is held in the host city.

The Report concluded that “GDN could function reasonably effectively in all five cities” and that all five governments would welcome GDN.

We do not have hard evidence allowing us to take a position on the decision of the GB in favor of New Delhi. However, we find it difficult to conclude from the evidence we have seen that the decision took into consideration all relevant facts. We would have favored a comprehensive professional relocation study that a) started with an inventory of the tasks performed – today as well as in the foreseeable future – by the Secretariat and ranked according to their importance for the Network; b) identified the key success factors for each of those tasks; and then c) assessed the suitability of each location in terms of the key success factors. Favorable and unfavorable local conditions that are likely to affect key success factors for high-priority tasks would have been given a greater weighting than those for activities of lower priority. The resulting score would have allowed an objective comparison of different cities in terms of GDN’s needs and requirements. The process followed by GDN considered some of the relevant factors, but, in our view it should have been more systematic and comprehensive. Several GB members privately agreed with this view.

We are concerned about, and would have preferred a full discussion of, such potential obstacles to efficacy and efficiency as India’s reputation for bureaucratic government services, travel problems, inefficient banking services, remoteness from key donors – both actual and potential – and, as several individuals suggested, difficulties in retaining the current or attracting new multinational staff of intellectually independent, competent, creative and highly motivated professionals.

The manner in which the relocation decision was taken is unlikely to be reassuring to those on the outside who look for a business-like approach to strategic decisions affecting the future of the Network:

- The decision does not appear to have been taken solely on the merits of the case; it has reportedly been defended as being of “symbolic” importance.
- It was linked to another important issue – the future legal status of the Network – that should also have been decided on its own merits.

- Important aspects of the decision – for example its perception by potential public-sector and private donors – appear not to have been given due consideration.

In short, we do not know whether the decision in favor of New Delhi will turn out to have been good or bad for GDN. We are concerned, however, that: the manner in which the decision was taken does not appear to have been designed to address all relevant risks and opportunities with equal rigor.

One could argue that the success of the annual conference this year demonstrates GDN's ability to work there, but we would caution that the environment of a high-profile conference is very different from that of the work-a-day world. Hopefully, there will be no insurmountable problems with Delhi. Our point is that it would be disastrous for the Network if the Secretariat moved to New Delhi and then encountered serious unforeseen obstacles to effective and efficient operations. A "symbolic" victory would be scant compensation for exposing GDN to avoidable business risks. The Secretariat is so important as the central hub of this unique global network that the choice of its location should be based on hard facts alone.

**Recommendation:**

- ¶ We recommend that GDN, even at this late hour, commission a competitively selected independent consulting firm to carry out an assessment of the chosen location against all key success factors.

*Legal Status of GDN* (Section 3.4.2 of the Background). We are not qualified to evaluate the discussion over the legal status of GDN from a legal perspective. Rather, our concern is that an appropriate legal status for GDN should be determined based on the objectives it pursues. We believe the legal status must:

- Allow the organization and all its organs – including, in particular, those responsible for governance – to function effectively;
- Be conducive to effective, unbureaucratic and "lean" governance;
- Be acceptable to those actual and potential donors that are critical to the long-term survival of the Network;
- Allow the Network to remain free from political and business influence;
- Not diminish the Network's flexibility and ability to respond effectively to "market" requirements;
- Facilitate the Network's being aware of and sensitive to the views of the broadest-possible range of relevant actors in the field of development;
- Allow the "owners" strongly to support and identify with the mission and objectives of the Network.

We believe that, as alternatives to its current status, there are two legal forms under Delaware law that merit consideration: 1) a not-for-profit organization. This could take the form of a foundation (*Stiftung* under German, *Stichting* under Dutch law) and 2) an international organization (IO). Since the GB has opted for a change in the Network's status to that of an IO, we are focusing our attention on that form.

We understand that discussion of the legal status of GDN started soon after its establishment but became a priority issue only after the GB had decided to move the Secretariat to New Delhi, because the Government of India could only guarantee the immunities and privileges the Secretariat considers essential for effective and efficient operations in New Delhi if GDN were an IO. If our understanding is correct, we question GDN's priorities in this matter. It seems to us that it would have been preferable first to determine the most appropriate legal status of GDN – a matter of potentially far greater importance for the survival and financial sustainability of the Network than the location of its Secretariat – and then to move the Secretariat to the location in which an organization with the chosen legal status can operate effectively and efficiently.

As background for the GB's decision on this matter, the Secretariat identified the main alternatives – not-for-profit organization or international organization -- through extensive consultation with lawyers, directors of research institutes and managers of international organizations. It sought specific advice from law firms and research institutes regarding the operation of not-for-profit institutions in the prospective host country, and it surveyed international organizations around the world (IDLO in Italy, IDEA in Sweden, the Joint Vienna Institute in Austria, and ADB). It then appointed as legal advisor Herbert Morais, an international lawyer with extensive experience in establishing international organizations, to prepare a draft charter. The Secretariat interpreted the information collected as pointing to the superiority of international organization status in terms of operational efficiency (for example, various immunities, assured access to work permits and visas), operating costs (especially, exemption from income tax) and stature and future funding prospects of GDN.

On the basis of information supplied by the Secretariat and the draft charter, the GB decided in May 2003 to proceed to international organization status, subject to two conditions: First, that the members of the GDN research community be allowed to express their views. An online consultation with the GDN community indicated near unanimous (95 percent) support for IO status. And second, that a reasonable number of donor and other governments and agencies be willing to sign the charter. At a meeting in Delhi on January 29, 2004, nine governments and the World Bank discussed what is now close to the final version of the charter.

We believe that – not unlike the decision regarding the future location of the Secretariat – the discussion of the future legal status of GDN may not have considered all relevant factors.

- We have had mixed reactions from the few donors we interviewed in the context of this evaluation. All gave the impression that governance matters – which suggests that Article 4 of the Draft Charter may be unacceptable – but some said that, *ceteris paribus*, the legal status of GDN was not an important consideration
- We believe, however, that the Secretariat has not made an adequate effort at ascertaining the attitude regarding governance of a wide range of donors, including, in particular, those in the private sector. The Secretariat has not yet developed a comprehensive funding strategy as part of an overall long-term business strategy; had it done so, the governance issue would have moved into sharper focus.

In the Background (p. 42) we make a number of comments on specific articles of the IO Draft Charter.

As part of this evaluation, we spoke to several members of the GB about this and other decisions, and we addressed the legal-status decision in the questionnaire we sent to the GB. Some GB members appear not to have been fully aware of the complexity of the decision concerning the future legal status of GDN, and a majority appear not to have considered the possible effects of the legal-status decision on the attitude of donors. Their comments to us, and those of some of our other interviewees, support the conclusions that the preparation by the Secretariat of this strategic decision was not business-like and that the GB made the decision without having examined all relevant criteria.

#### Recommendations:

- ¶ We recommend that, even at this late hour, GDN appoint an independent consultant with requisite legal and management consultancy credentials to determine whether the legal status of GDN as an IO is in the best long-term interest of the Network, given the objectives of GDN and, in particular, the importance of ensuring its financial sustainability.
- ¶ The terms of reference for the study must instruct the consultant to:
  - ensure that all relevant factors are given due consideration;
  - assess appropriate other legal forms against the same criteria as are used to assess the suitability of IO status;
  - if the status of an IO is found suitable, critically review the draft GDN IO charter or, if not, present an outline draft of a constituent document of an organization with the legal status deemed appropriate.

*Ensuring the Financial Survival of GDN* (Section 3.4.3 of the Background). GDN remains heavily dependent on the support of the World Bank, and only a small number of other donors regularly provide sizeable additional funds. A much greater number of donors provide smaller amounts, which usually are restricted to supporting specific activities or events and which must be approved each year by the donors.

Current donors obviously have no major problem with GDN's method of operation, which involves juggling restricted funds from some donors' annual commitments with funding provided – primarily by the World Bank – in the form of annually-approved draw-downs under multi-year commitments. Some other donors, however, will not support the Network as long as they perceive the “World Bank whiff”. The stock-taking meeting of GDN we recommend may change some minds. However, to attract new donors, especially from the private sector, GDN must be able to present a multi-year plan based on an agreed strategy that reflects objectives and measurable targets acceptable to those prospective donors.

We consider donor reluctance to support GDN and the excessive dependence on the World Bank to be a **second strategic weakness** of GDN. We shall deal with the financial situation and prospects of GDN in Chapter 4. In this section, we focus on the Secretariat's ability to deal effectively with this issue. In discussions with Secretariat personnel, we learned the following about their fund-raising plans and activities:

- Lyn Squire spends a large part of his time maintaining extensive contact with virtually all bilateral and multilateral donors. This will continue. He knows these donors well but has little contact with the private sector.
- A professional fund raiser (Development Resources, Inc.) has been appointed to develop a strategy for tapping the private sector.
- As part of this effort, and on an experimental basis, the Secretariat has explored the possibility of raising funds from a number of international corporations and wealthy individuals.
- With the pending move to New Delhi, the Secretariat will establish a US tax-exempt entity, “Friends of GDN”, to receive private donations.
- At least one member of the Secretariat has personally written letters to wealthy acquaintances in one of the GDN regions to appeal for financial support of GDN.

These plans and activities, while well-meaning and yielding some promising results, do not yet stem from a professionally prepared long-term strategy and financial plan. For inspiration, the Secretariat should look to the funding strategies of well-managed businesses and, closer to home, of other multi-donor organizations that share clearly defined objectives with their donors and have a governance structure that is acceptable to donors. CGAP<sup>4</sup> illustrates these two points well and in these respects could be a useful example for GDN. We believe that the Secretariat’s efforts at securing the financial sustainability of GDN are impaired by the fact that the Secretariat staff does not include an individual with the requisite skills and experience.

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The Secretariat’s handling of these three key issues – GDN’s move to India, legal status and financial survival – points to a need for strengthening the management of the business aspects of GDN. Our recommendation under this heading reflects that concern.

#### **Recommendation:**

- ¶ We recommend the creation in the Secretariat of a new position of Deputy Director and Business Manager.
- The Business Manager would be responsible for all reporting to the proposed Business Board (see below).
  - If possible, the Business Manager should be selected with a view to succeeding the current Director if he decides not to seek an extension of his contract.

**Relations with Donors** (Section 3.5 of the Background). We show in Chapter 4 that GDN has yet to achieve financial sustainability. It has not secured sufficient long-term funding – in the form of an endowment or sizeable multi-year commitments from donors – to be able to plan for growth and increasing relevance in the field of capacity building for policy-relevant development research. The Secretariat spends a large part of top-management time with fund-raising activities, because GDN

<sup>4</sup> The Consultative Group to Assist the Poor (CGAP), headquartered in the Washington offices of the World Bank, is a consortium of 28 public and private development agencies working together to expand access to financial services for the poor, referred to as microfinance.

remains dependent on donors' annual funding decisions. That makes relations with donors and activity co-sponsors an important concern.

The World Bank accounted for over two-thirds of total GDN funding in fiscal year 2003, and three other donors provided another 18% of GDN's budget. The remaining 15% was provided by five donors and miscellaneous income in the form of speaking fees and currency gains. Most of the GB members with whom we communicated were not satisfied with GDN's efforts at raising funds from new sources. There is also concern within the World Bank about the continuing heavy financial dependence of GDN on the Bank. Major donors towards development causes – including Germany (the “birthplace” of GDN), the Netherlands and the Nordic countries (except Norway) – do not appear on the list of major supporters in FY 2003; and all donor representatives we spoke with made a clear distinction between their (often highly favorable) attitudes toward specific GDN activities and their more critical attitudes toward other aspects of the Network.

GDN receives three distinct types of funding. The most desirable is “core” funding, provided as a result of a donor policy decision that GDN, or its specific activities, merit support. While the Secretariat may have to apply annually for funds, the donor is inclined to approve the application and may have already earmarked funds for GDN in its budget. The World Bank is the most prominent of three donors in this category, which also includes DFID (UK) and Norway. Even core support is not permanent, however – we were told by the World Bank that the DGF facility must be renewed in 2007, and DFID's in 2004 and that renewal is not automatic.

The second type of funding is “non-core, activity-specific” support. Typical examples are the funds provided by the Government of Japan for the Global Awards and Medals Competition (see Section 2.2 of the Background) and funding of short-term activities, such as a specified session at, or travel to and from, the Annual Conference. With respect to the latter, amounts tend to be smaller and are often approved by a donor's mission or office in the country where the supported event takes place.

The third type of funding is “indirect” support, e.g., in the form of in-kind contributions. An example is a donor paying the salary of a GDN staff member for a certain period. The existence of the second and third of these “pots” appears to confirm the impression we gained from talking to donor representatives that some donors like, and are prepared to support, specific GDN activities but are reluctant to fund GDN in an unrestricted manner. We were given three explanations:

- (i) Some donor countries target their aid to specific countries or regions, whereas GDN aims at global reach.
- (ii) We have already referred to the “World Bank whiff” – i.e., some donors see GDN as too close to the World Bank. In some cases, of course, the “World Bank whiff” may simply be a convenient excuse for not funding GDN.
- (iii) Some donors appear to resent what they call the “ten percent cut” GDN seeks from donor funds to pay the expenses of operating the Secretariat.

Regarding the third explanation, we understand that GDN contracts in fact contain no formal “ten percent” rule, although the Secretariat urges donors to allow a percentage of their support funds to go towards covering its operating expenses. Most donors routinely follow this practice, but some were openly critical of any such perceived “requirement”. If the latter are simply mistaken, the misunderstanding should be readily removable. We suspect, however, that some reluctant donors take a suggestion that 10% of their support be available to cover Secretariat expenses again as a convenient excuse for not making any funds available at all. The problem, as we suggest elsewhere, is not this or that misunderstanding, but that the relationship with some donors may need re-building on the basis of agreed objectives.

We have compared GDN with CGAP (see box on p. 47 of the Background), not because of its mission (which is very different from GDN's), but because of the donor support CGAP enjoys. In this respect, it can be compared with GDN, and GDN clearly does not measure up. Our discussions suggested several possible reasons for this difference in donor support:

- CGAP's activities are more "saleable" to taxpayers than GDN's;
- CGAP and donors share clearly defined objectives;
- CGAP's governance structure is more acceptable to donors.

While GDN clearly cannot do anything about the first reason, the same cannot be said of the second and third reasons.

### Recommendations:

- ¶ It is a core recommendation of this evaluation that the GB formally invite representatives of all current, past and potential donors – multilateral, bilateral, foundations, private donors known to support research, etc. – to a "stock-taking" conference the agenda of which would include the following items:
- Exploring the possibility of achieving a broad consensus on the GDN mission;
  - Deriving, from the agreed mission statement, specific objectives, with agreed priorities;
  - Jointly reviewing:
    - GDN's current activities and examining others against the agreed objectives, preferably in the context of a draft long-term GDN operating and financial strategy prepared by the Secretariat;
    - obstacles to funding by individual donors other than disagreement over objectives (e.g., GDN's governance structure);
  - Exploring the prospect of increased donor commitments to provide multi-year funding for GDN;
  - Agreeing on follow-on action by donors and GDN.
- ¶ We recommend that, following the conference, GDN review and, if appropriate, revise its operating and financial (including fund-raising) strategy.

**Governance** (Section 3.6 of the Background). In examining the electronic discussion of GDN's future governance structure that took place in the year 2000, we were struck by the definition of governance that was implied, or spelled out, in the contributions of most participants – namely a structure and procedure ensuring that GDN was independent, open, effective, democratic and pluralistic. The third principle (effectiveness), was considered unnecessary by a few participants, but hardly commented on by the others, perhaps because its inclusion was taken for granted; there was little support for a possible sixth principle, accountability, which was introduced by two or three participants. To the overwhelming majority of participants in the discussion, primarily from the research community, democratic principles of GDN were of greater concern than the business aspect of GDN and specific governance matters related to it.

GDN's current governance structure reflects the key priority of the participants in that discussion – a commitment to policy-relevant, multidisciplinary development research without intervention from

governments or donors – but also a mixture of impotence and lack of will or power to impose this commitment on a somewhat hesitant distribution system (i.e., the RNPs), which is itself powerfully represented on the GB.

The GB is the only central decision-making organ of the Network, but it has no power to enforce its decisions, except over the Secretariat. The only trump cards at the disposal of the GB for ensuring that its decisions are implemented throughout the Network are a) the moral authority of the GB as the sole organ representing all GDN regions, academic disciplines and members (see below); b) the academic reputation and integrity of its members; and c) money. The first two of these carry particular weight whenever the GB decides something unanimously; the third is a blunt instrument unless it is wielded skillfully and the recipient considers the amount involved significant.

The GB represents the regions and members of the Network, as well as several of the social sciences that are relevant to development research, but it is not an organ with a membership that reflects the entire “development spectrum”. It may be suitable for a well-established Global Development Research Network with assured funding, but those expecting the Network to interact more strongly with policy makers and help shape development policies and practices would probably favor a different composition of members. Bilateral and private-sector donors have no representation at all. According to the Secretariat, “[these donors’] funding decisions ultimately determine the activities supported by GDN”. Our point is that donor under-representation in the organ of governance may be one of the reasons for GDN’s unsatisfactory financial situation.

While several GB members have managed large research institutes, no current member has senior corporate management experience in the private sector. If the Network grows, however, its operations, financial needs and budgets will inevitably become more complex, and effective oversight of the business aspects of GDN’s operational and financial management will be indispensable – if only to satisfy donors’ requirements of accountability.

The GB meets twice a year; with the Director of the Secretariat and, usually, other Secretariat staff participating as rapporteurs on specific agenda items. We understand that, in addition to these limited formal contacts, there are frequent informal contacts between GB members and the Secretariat. The relationship between these two bodies was described as good or excellent by all of the Secretariat staff, but by fewer than one-third of the respondents to our questionnaire. Other respondents described the relationship as “not good” or at times strained.

Among themselves, GB members disagree on many issues, at times sharply. The only issue on which there was overwhelming agreement concerned GDN’s need to achieve financial sustainability, the absence of which everyone found “life-threatening”. Interestingly, of the 12 different corrective actions suggested by GB members, only one was mentioned by more than once: reform of GDN’s governance and management.

Governance is the institutional and procedural framework for assuring that an organization is managed in the best interests of its owners. In the case of GDN, ownership is difficult to define. A majority of the GB members represent RNPs, eight of which are beneficiaries and have interests that can differ sharply from those of other current or potential “owners”, e.g. donors.

Within GDN there is great pride in the democratic manner in which the GB was appointed. However, democratic procedures alone do not guarantee good governance – an equally important ingredient is parameters in the form of agreed objectives that tell the governors what the owners of the organization expect of them. Given the geographic and substantive complexity of GDN’s operations, effective governance is critical for the future of the Network, especially because of the need to attract substantial additional annual funding from donors to help fund growing operations.

We were left in no doubt that governance matters to donors. None we interviewed was fully satisfied with GDN's governance, often citing the same factors that we have outlined in this report. Our interlocutors commented favorably on the academic credentials of the GB members, but most added criticism to their praise: Failure to represent the interests of all stakeholders was mentioned, as was concern about the ability of the GB competently to oversee the management of the business aspects of GDN.

We conclude that governance is the **third strategic weakness** of GDN (the first was lack of clarity of its mission and objectives; the second, donor reluctance to support GDN and excessive dependence on the World Bank). We consider this weakness *strategic*, because it is more serious than, for example, the weaknesses we have diagnosed in the Secretariat, where, given the will, the GB can make changes in a short time. For the GB radically and quickly to change its *own* composition and role would require that one class of stakeholders limit its power in favor of other classes that are not represented or are under-represented today.

The GB is a body of eminent individuals who have demonstrated their commitment to the Network and excelled in devising and supporting Network activities that have begun to re-shape the world of development research. As long as the Network exists, it must have a strong organ to inspire and guide its professional activities.

Several donor representatives, members of the GB and Network individuals have argued in favor of introducing eminent younger academicians and achieving a better balance of social science disciplines. Greater sensitivity of future members to the demand side of policy-relevant research would ensure that all of the Network's objectives have their advocates in the GB. This "re-calibration" of the GB can be achieved painlessly by replacing retiring members with appropriately qualified nominees.

However, even if such a re-calibration is accomplished, the members of the GB are likely to lack the inclination, knowledge, skills and experience that are required to ensure that GDN is managed in a businesslike manner. We believe that the issues of governance and financial sustainability of the Network are closely intertwined. The present GB is not the body that could mastermind an effort at, for example, raising a large endowment to secure the financial future of GDN. That body must be created.

The supervisory bodies of most well-run corporations, including those with much simpler operations, meet monthly or even more frequently to set strategy, approve operating and financial plans, and monitor management performance against measurable targets.

**Recommendations:**

- ¶ We recommend the establishment of a Business Board to ensure that GDN is administered in a business-like manner.
  - The Business Board, on which all main donors would be represented, would meet not less than six times per year. It would approve the business strategy of the Network – which will have been discussed with key donors – and would have overall responsibility for its finances and for monitoring the performance of business and financial management in accordance with the strategy.
  - The Business Board would also have responsibility for securing the financial sustainability of GDN. Its members would be required to have relevant credentials.
- ¶ We recommend converting the current Governing Body into an Academic Board that would continue to be responsible for all non-business aspects of GDN's activities.
  - We also recommend a change in the composition of the Academic Board to include more eminent young academicians in all social sciences; donor representatives with appropriate qualifications; and representatives of policy institutes. Greater sensitivity of future Academic Board members to the demand-side of policy-relevant research would ensure that all of the Network's objectives have their advocates in the Academic Board.
- ¶ We recommend that the Business and Academic Boards meet in joint session once a year to review the strategy, activities and operations of the Network, as well as the state of GDN's finances and its financial management.

**Chapter 4. Financial Performance and Condition** (Chapter 4 of the Background)

Audited accounts show an increase in total revenue and support from \$8.5 million in FY 2002 to \$10.1 million in FY 2003. The estimate for FY 2004 is \$10.6 million. The comparable figure for FY2001 (when GDN was still part of the World Bank) was \$7.0 million. The 2002 Audit shows program expenses of \$6.8 million, expenses for donor coordination of \$235,753, and \$301,423 in indirect expenses of the Secretariat. For FY 2003, the comparable figures were \$9.8 million, \$264,369, and \$344,671 respectively. The budget estimate for 2004 shows total expenditures of approximately \$10.6 million, i.e., the same as total revenue and support.

While these figures suggest an upward trend, the conclusion appears justified that GDN's annual budgets currently hover around the \$10 million level, and our evaluation has shown no indication of donor willingness significantly to increase funding to enable GDN to expand current activities or add new ones.

One worrying development noted in the 2003 Audit is that GDN may have been spending funds it did not have or may not have been authorized at the time to spend for the purposes for which they were spent. We were not overly concerned about the \$150,000 excess spending in 2002 (under 2% of total revenue), but we are concerned about the large increase to over 12% in 2003, which suggests that GDN may be slipping into a habit of continuing certain activities (or covering operating expenses of the Secretariat) in the expectation – rather than certainty – that funds will

become available for this purpose. As noted below, however, the auditors' report was satisfactory (unqualified).

This problem relates to the discussion in Chapter 3 concerning relations with donors and may be both evidence and a consequence of their reluctance to pay for operating expenses of the Secretariat.

According to the 2004 budget, the expenditures per program or activity are as shown in Table 3. The largest part of the budget (67 percent) goes to GDN's "core" program of five activities. Over one-fifth of the budget is earmarked for the RRCs, an emphasis that would appear to be fully in line with the popularity of the program that was confirmed to us by all individuals we spoke to in the course of this evaluation. If the two GRPs are added, over one-third of GDN's funds is spent on the Network's two popular research project categories.

There is, however, a disconnect between total spending for, and the popularity of, the Annual Conference. As pointed out in Chapter 2, there are reservations about these meetings. It may be argued that most of the funding for the conferences is restricted and would not be available to fund other programs. Unless donors can be persuaded to re-direct their funds, the only alternative is between having the Annual Conferences (perhaps at a lower cost) or not having them at all. Faced with that alternative, many critics of the event would probably argue in favor of holding it, although one must also recognize that the conferences cost a great deal of the Secretariat's time, which might better be spent on other activities and priorities.

**Table 3: GDN – Estimated 2004 Program / Activities Budget**

Program / Activity	Budgeted Amount (\$000)
Regional Research Competitions	2,158
Global Development Awards	609
Annual Conference in New Delhi	1,710
Global Research Projects	1,692
GNet	928
<b>TOTAL CORE ACTIVITIES</b>	<b>7,096</b>
Education	1,554
Other	1,223
<b>TOTAL PROGRAM ACTIVITIES</b>	<b>9,873</b>
Donor Coordination	350
Secretariat (indirect costs)	375
<b>TOTAL SUPPORT</b>	<b>725</b>
<b>Total</b>	<b>10,598</b>
<b>COLLABORATIVE PROGRAMS</b>	<b>2,190</b>
<b>Grand Total</b>	<b>12,788</b>

Source: GDN

Collaborative programs account for 20 percent of the budget (see Table 3). They contribute to the achievement of GDN's objectives and are supported administratively and/or financially by GDN, but the bulk of their funding is provided by sources other than GDN. For example, as pointed out in Chapter 2, NIH provides \$2 million annually for research on health issues in developing countries. This sum does not pass through GDN's accounts, but GDN's contribution of \$150,000 (\$250,000 in past years) is reflected in its accounts. The partnership with NIH ensures that the funds meet both NIH's health-research and GDN's capacity-building objectives.

Funding of the Secretariat is a "survival" issue for GDN. The 2004 budget shows that the World Bank directly pays for 86% of the direct and indirect expenses of the Secretariat.

Funds from only six other donors and miscellaneous income provide the balance of Secretariat operating expenses. The World Bank provides less than 15% of the funding for the GDA and the

annual conferences but, on average, 71% of the funding for the three other “core activities” (s. Table 3). In view of this, we consider the following comments appropriate:

- As things stand, there is no evidence that GDN, in the foreseeable future, could compensate for a major reduction in World Bank funding with funding from other sources.
- Though dependence on the World Bank is a fact of life for GDN, we have seen no evidence that the World Bank “throws its weight around” in a manner commensurate with its financial importance to GDN. Might this “hands-off” attitude change if all relevant units of the Bank came to agree on clear and unambiguous objectives that they would like to see GDN pursue?
- In order for GDN to survive as an independent entity, it must reduce its dependence on World Bank funding to well below half of its total revenues. It is also important that funding of the Secretariat’s running costs come from a wider range of donors or, preferably, be secured through an endowment. An independently financed Secretariat may find it easier to shed the “World Bank whiff” and attract funding for its activities from a greater number of donors.

### Why not think bold thoughts?

While it will be difficult to secure sufficient conventional donor finance for ensuring the long-term financial sustainability of both the GDN Secretariat and a menu of capacity-building activities, our recommendations at the end of this section show that we consider this end worthy of a determined effort.

The effort could fail, however. Given that possibility, and bearing in mind that World Bank President Wolfensohn warmly supported the GDN project in its infancy, we recommend a parallel action: a request to Mr. Wolfensohn by the GB to help with raising a **sizeable endowment** to secure GDN’s future. Such help could take the form, for example, of Mr. Wolfensohn’s inviting 20 to 30 of the world’s richest individuals to join him as members of a **Global Development Council** to be formed by the World Bank president. To become members, the individuals would have to raise, say, \$10 million each towards an endowment in support of GDN and its capacity-building activities.

The endowment would be managed by trustees appointed by the Council, which would also have representatives on the proposed GDN Business Board. An effort of this kind could result in an endowment, perhaps not of the full desired amount but at least large enough, at the very least, to fund an independent Secretariat.

Financial sustainability is the overriding strategic issue that GDN must resolve to secure its future. Based on our discussions in the World Bank, we wonder how long the Bank will be willing to provide the bulk of funding for GDN as an independent organization. Influential individuals in the Bank are already intimating that GDN programs could be pursued more economically by a unit within the Bank instead of by an organization that is financially heavily dependent on the World Bank and with a Secretariat with an annual operating cost (direct and indirect) of over \$1.5 million. We do not endorse the premise of those individuals, but again we point to the importance of perceptions. As long as the World Bank is providing the preponderance of GDN’s funds, it may question the justification of GDN’s independent status.

If, by the time of the next independent evaluation, the uncertainty regarding GDN’s long-term financial sustainability continues, this would in our opinion justify the current main supporters’ re-evaluating the suitability and continued usefulness of the GDN model as the vehicle for supporting activities designed to build in developing countries capacity for independent, multidisciplinary and policy relevant research.

**Reporting and Controls** (Section 4.1 of the Background). The annual audit reports for fiscal 2002 and 2003 are unqualified. The auditors appear satisfied that, under the new Controller, practices that were criticized in the past are in the process of being remedied.

**Other matters** (Section 4.2 of the Background). We heard much questioning of GDN's past practice of buying in Washington all tickets for invited participants in the Annual Conference, which clearly was a waste of GDN funds. We understand that this practice was abandoned for the 2004 conference in New Delhi and that tickets are now being bought locally.

We find it difficult to comment on the Secretariat's acceptance of different practices by the RNPs regarding the allocation of their RRC funds. On the one hand, we believe the RNPs should be free to determine "what works best" in their respective regions; on the other, we believe that governance includes monitoring of the purposeful and efficient use of resources. The "stock-taking" meeting with donors we propose would be the forum to discuss this matter. It might mean that some RNPs – the AERC comes to mind – would decide to forgo GDN funding if the alternative was allowing GDN to influence the manner in which they use GDN funds and being accountable to GDN regarding compliance.

#### Recommendations:

- ¶ We recommend that the Network's financial sustainability be one of the central agenda items for the recommended "stock-taking" meeting of GDN and donors we have suggested earlier.
- ¶ The Secretariat should prepare a draft long-term GDN operating and financial strategy for discussion at the meeting. The financial strategy must:
  - Be based on clearly stated objectives and realistic assumptions;
  - Identify risk factors capable of affecting the outcome of specific assumptions;
  - Project alternative financial scenarios that reflect the identified risks;
  - Describe the likely operational consequences of the individual scenarios.

As regards GDN's financial sustainability, the meeting can have one of two possible outcomes: success or failure.

- We define *success* as an agreement among the participants to secure the long-term financial sustainability of, at least, the Secretariat, making it an entity no longer overwhelmingly dependent on funding by a single donor. Preferably, success would be an agreement on the long-term funding of the Secretariat *and* on multi-year funding for an agreed menu of activities from a wide range of donors, none of which would play a dominant role.
- We define *failure* as an outcome in which more than a small number of important donors refuse to include GDN among the entities to which they are prepared in principle – and subject to GDN satisfying specific conditions – to make sizeable multi-year funding commitments.