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MID-TERM REVIEW OF THE GEF RESOURCE ALLOCATION FRAMEWORK (Full Report)

(Prepared by the GEF Evaluation Office)

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1. MAIN CONCLUSIONS AND RECOMMENDATIONS

The reader is cordially invited to consult the Council document GEF/ME/C.34/2, which contains Chapter 1 of this report.

2. PURPOSE AND METHODOLOGY OF THE MID-TERM REVIEW

This chapter presents the purpose and methodology of the mid-term review, as well as its limitations.

2.1 Background

In September 2005, the Council of the Global Environment Facility (GEF) “agreed to implement, for the GEF-4 replenishment (2006-10), a resource allocation framework based on an index of a country’s potential to generate global environmental benefits in the biodiversity and climate change focal areas and an index of performance”¹. The establishment of the resource allocation framework (RAF) was a response to the policy recommendations of the third replenishment² which requested “the GEF Secretariat to work with the Council to establish a system for allocating scarce GEF resources within and among focal areas with a view towards maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide”. Nominally, the RAF began with the fourth Replenishment period of the GEF Trust Fund, on 1 July 2006, while implementation officially began in February 2007 when the fourth replenishment of the GEF became effective.

The GEF Council also requested the GEF Evaluation Office to review the RAF after two years of implementation, to examine the operational experience with the RAF³. The **objective** of the mid-term review (MTR) is to “evaluate the degree to which resources have been allocated to countries in a transparent and cost-effective manner based on global environmental benefits and country performance”⁴. The MTR **terms of reference**, approved by the Council in November 2007, are based on extensive consultation with GEF stakeholders, and include comments by the Council.

In its September 2005 decision on the MTR, the Council also requested the review to consider the feasibility of using indicators available, or to be developed, within the UN system, and an evaluation of the weight of governance within the Country Environmental Policy and Institutional Assessment Indicator (CEPIA). The GEF Assembly in Cape Town (August 2006) underscored the importance of the mid-term review of the RAF in identifying the impacts of the new allocation system and of informing the Council of the lessons learned. Some delegations requested that the review examine the balance and interrelationship between the performance and global benefits indices.

2.2 Key Questions and Scope

The mid-term review aims to address three sub-objectives: (a) to evaluate the extent to which the design of the RAF is able to facilitate maximization of the impact of scarce GEF resources to enhance global environmental benefits; (b) to assess the extent to which the early implementation of the RAF is providing countries with predictability, transparency as well as enhancing country driven approaches to improve the potential for delivery of global environmental benefits; and (c) to compare the design and implementation of the RAF with the resource allocation systems of other multilateral agencies. Standard evaluation criteria of relevance, efficiency and effectiveness were used to assess the RAF.

Detailed sub-questions of the MTR are included in the terms of reference (see GEF EO website and Technical Paper #1). Issues considered include aspects of design such as relevance of the indicators; volatility; weights of indicators in the indices; interrelationship and synergies; incentives; flexibility; and

exclusions to the allocation formula. Under implementation, the review has considered guidelines and support; policies; the group allocation; country-driven approaches and ownership, roles and inter-relationships; historical comparison; barriers or promoting factors for access to funds; the project pipeline and the nature of projects; effect on enabling activities, global and regional projects; the small grants program (SGP); NGOs and civil society, least developed countries (LDCs) and small island developing states (SIDS); and the 50% rule. Under contextual issues, the review researched new practices in performance-based allocation frameworks; convention guidance; and recent scientific developments and databases.

2.3 Methodology

The mid-term review was managed and executed by the GEF Evaluation Office, with independent expert consultants and companies. The Evaluation Office followed a “mixed methods” approach including desk studies, interviews, statistics, surveys, expert panel judgments, portfolio analysis to stakeholder consultations. For this purpose, qualitative material was analyzed through specialized software⁵. The supporting technical papers are available on the website of the GEF Evaluation Office.

Documents reviewed. To establish the underlying goals and expectations of the RAF, the review commenced with a review of the policy framework. The review codified hundreds of Council documents and all Joint Summaries on the RAF and related subjects; Working Group and Inter-agency Task Force; Convention guidance; Assembly documents and all comments by correspondence made during the RAF development process. Information was also obtained from consultations during other evaluations such as the Catalytic Role and Impact Evaluation field visits and terminal evaluation verification missions. The bibliography will be available in annex.

Information from internal and external sources was reviewed covering topics related to the design and implementation of the RAF. The literature review included findings from recently completed evaluations such as the Evaluation of the GEF Small Grants Programme, Joint Evaluation of the GEF Activity Cycle and the Country Portfolio Evaluation in Costa Rica, Philippines and Samoa, and the four Country Portfolio Evaluations in Africa. Reports from sub-regional workshops and national dialogue workshops from 2006 to 2008 were also reviewed.

Delphi approach. Three panels of independent international experts on global biodiversity; climate change and on performance provided an assessment of the GEF indices. The study was contracted on a competitive basis to the company Agrilink. A Delphi study provides for anonymous review by experts in both quantitative and qualitative form. This expert peer assessment used a web-based interactive tool; in this case, *Real Time Delphi*. The participants in the Delphi study represented a broad range of expertise and geographical representation, and were vetted for independence to prevent conflict of interest. The GEF Scientific and Technical Advisory Panel (STAP) supported the Delphi study through providing advice and experts. The report of the Delphi study is available on the GEF Evaluation Office website (see Technical Paper #5).

Portfolio reviewed. The mid-term review team designed and compiled a number of databases to analyze the effect of the RAF on the portfolio. The project database compiled by the recent Joint Evaluation of the GEF Activity Cycle was used as a baseline for historical data. This data from the Project Management Information System (PMIS) had already been corroborated with the Agencies, and covers all recorded full and medium-sized projects and proposals processed by the GEF (1926 in total), as well as enabling activities, across all GEF replenishment periods up till the end of GEF-3. To capture data needed for the RAF review, the database was extended with:

- A RAF project database, which includes the portfolio of approved projects and Project Identification Forms (PIFs) since the start of GEF-4. All data were obtained directly from GEF Secretariat database

downloads, and subsequently verified with Agencies, countries and Secretariat staff. The country profile website and RAF progress reports to Council were also used for verification. The RAF database contains the same fields as the baseline database, with added features on programmatic approaches, allocation type, and the new project cycle. All information is up-to-date as of 3 July 2008, the midpoint of GEF-4; any changes after that are provided in textual form.

- A country analysis component to analyze the effect on various countries, using categories which are recognized in international practice for country classification such as LDC, SIDS, landlocked countries, income per capita, fragile and post-conflict states. The classification of categories of countries is featured in an annex on statistical analysis.
- A separate Excel spreadsheet was established comparing the baseline database and the pipeline at end of GEF-3; the proposals made by countries in the teleconferences with GEF Secretariat; and the current pipeline and approvals.

Historical time series analysis. The effect of the RAF on GEF operations was analyzed through a quantitative comparison with historical commitments and previous implementation arrangements. All quantitative data were analyzed for all projects approved under GEF-4, according to relevant dimensions (such as individual or group allocations, region, Operational Program, Agency, project budget, modality, and other categories). Other focal areas are also included to identify any spill-over effects and for comparison.

Statistical analysis and data modeling. The effectiveness of the indices, their composition and their interrelations were analyzed through data modeling of different combinations of indices weights, exclusions and content. Based on the original indicator data provided by the GEF Secretariat, the MTR team verified accuracy by replicating the allocations through the formula. The simulations covered include the effect of the various exclusions on the allocations and of different levels of exclusions; the implications for allocations when changing formula weights of performance or global environmental benefits or floors and ceilings. Details are available in the statistical annex.

Financial cost analysis. A tentative assessment was made of the operational and administrative costs of the GEF, including original investment costs of the RAF; cost of operation; and possible savings in terms of time, effort or money. Data was obtained from the corporate budget, transactions in the administrative system of the World Bank for the GEF Trust Fund, and the administrative review of Agency expenses; and project fees from the portfolio analysis. The review also obtained financial data from the Trustee.

Stakeholder consultation for the mid-term review was extensive. Semi-structured and focus group interviews were undertaken with a large number of key informants including all GEF entities referred to in the Instrument. The stakeholders interviewed included GEF Operational and Political Focal Points, other relevant national government stakeholders; Convention secretariats; Agency staff, GEF project staff; and NGOs. Interview Protocols were used for different target groups. Consultations covered a range of experiences and perspectives, from those countries with significant individual allocations to those with a group allocation. Feedback on implementation was compared with information gathered through portfolio analysis and documentation review. The data from these interviews was aggregated in “*Atlas ti*” which identified the recurring and divergent opinions across interviewees from different countries.

In order to capture a broad range of experiences the Evaluation Office took advantage of a range of opportunities for consultations. Collaboration with the GEF/UNDP Country Support Programme (CSP) enabled the Evaluation Office to obtain direct feedback from **GEF focal points** on the RAF. The RAF MTR was the main item of discussion during five sub-regional workshops in 2007-08 (Bali, Belgrade, Manila, Douala, and Windhoek). Both plenary sessions and group work elicited debate among countries on barriers and promoting factors. Individual interviews with focal points provided indepth country information. This covered the full constituencies of West and Central Africa, East and Southern Africa,

Eastern Europe and the Commonwealth of Independent States (CIS), Middle East and Northern Africa; and Asia.

For constituencies that were *not* covered by CSP workshops in the review period, the Evaluation Office consulted through other means of interaction, including national dialogue workshops in Colombia and Peru; the meeting of the Caribbean GEF constituency in April 2008 in Bahamas; and bilateral meetings. In addition, the review team undertook a mission to Argentina, Uruguay, and Chile in May 2008 to consult with focal points, agencies and NGOs. The Pacific SIDS were consulted at the sub-regional meeting in September 2008, as well as through interviews during Council, and consultations with the South Pacific Regional Environment Programme (SPREP) in Samoa. The New York based Focal Points were also invited to provide feedback.

The Evaluation Office participated in the Conferences of the Parties to the Biodiversity and Climate Change **conventions** in Bonn and Bali respectively; and arranged consultations and side events to obtain feedback. A survey was also circulated in Bonn. Secretariats to the CBD and UNFCCC were visited.

A separate study of the **SGP** was undertaken, based on the 2007 joint SGP evaluation. This included a separate and tailored survey of SGP National Coordinators (NCs); discussion session at an Asia regional SGP workshop, consultations with the SGP central program management team as well as interviews with OFPs and NCs. A download of annual monitoring report data allowed the review to discern impact of the RAF on the SGP grant portfolio. Documentation was analyzed from SGP and GEF, including all SGP country strategies for use of RAF funds. See Technical Paper #6 on the effect of the RAF on the SGP.

During the **NGO** consultations prior to the Council in November 2007 and April 2008, the EO briefed and consulted with the NGO network. Separate meetings to provide feedback were arranged with both local and international NGOs, and a dedicated survey instrument was developed. Interviews with local NGOs were undertaken during country visits and subregional meetings.

Interviews with all **Agencies**, including GEF coordinators, task managers and regional offices and performance-based allocation experts, provided feedback on implementation, portfolio and changes in responsibilities. Seven agencies were visited (WB, UNDP, UNEP, IADB, ADB, AfDB) and for three others GEF coordinators and staff were interviewed directly or through tele- and videoconferences.

Survey. An electronic survey of all major GEF stakeholders yielded experiences and perceptions, using www.surveymonkey.com during June-July 2008 from 689 respondents. Current and past stakeholders include implementing and executing agency staff, national governments, STAP roster experts, GEF operational and political focal points, international NGOs, national and local NGOs, convention national focal points, private sector, GEF Council members, STAP members, state/local government, GEF Secretariat, convention secretariats and others (consultants etc.). Survey instruments were tailored to each group. Respondents were identified through a mix of EO and Secretariat contact databases; the Joint Evaluation of the Activity Cycle contacts, and Agency and NGO networks. See Technical Paper #7.

Comparative study. The MTR included an external comparison of the design and implementation experience of the RAF with other performance-based allocation (PBA) frameworks. Visits were undertaken to the World Bank Group (WB), Inter-American Development Bank (IDB); the Caribbean Development Bank (Caribank, or CDB); African Development Bank (AfDB); and Asian Development Bank (ADB), as well as consultations with the International Fund for Agricultural Development (IFAD). The review encompassed expert interviews and reviews of numerous documents from the Multilateral Development Banks (MDBs), the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD-DAC), the United Nations (UN), the GEF and Implementing and Executing Agencies, and other global funds. A number of evaluations of these resource allocation

frameworks had recently been conducted and provided useful lessons for the RAF MTR. The input from the PBA Technical Working Group, a collaborative annual meeting on PBA experiences, was also informative. See Technical Paper #8 on other PBA experiences.

The GEF Secretariat supported the Evaluation Office by making available information on the design and implementation of the RAF, and of data related to progress in implementation. On completion of the draft report and technical papers the Evaluation Office sought comments from all GEF stakeholders including the Secretariat, country recipients, STAP, conventions Secretariats, NGOs and Agencies.

Scope and Limitations

Evaluations conducted at mid-term primarily assess progress made in implementation, and make recommendations to better achieve the underlying objectives. The recommendations of the review should therefore enable the Council to make informed decisions for improving implementation in the second half of GEF-4; and regarding the design and the possible development of a GEF-wide RAF.

Due to the **early stages** of the RAF implementation, with the first work program approved by the GEF Council in June 2007, it is too early to provide evidence on the impact of the RAF on global and country environmental benefits. However, it was possible to identify and address preliminary effects, related to country-drivenness, predictability, transparency; organizational, institutional arrangements, and project and portfolio changes. When countries have not been able to access RAF resources, the review addressed the reasons for this. This limitation is usual for a mid-term review or *formative* evaluation with a focus on system activities and processes that are under implementation.

The review was able to compare the previous system with the new system under the RAF, in terms of commitments; roles and responsibilities; the portfolio and related processes. However, several policies and practices have changed (unrelated to the RAF) during GEF-4, and it is therefore not possible to attribute all system changes to the RAF. A measure of attribution is still achieved by comparing effects across focal areas not covered by the RAF, though in many cases the RAF has acted in conjunction with other reforms. Changes are still ongoing.

Fewer experts participated in the Delphi study than initially anticipated. Experts cited the complexity of the system and lack of knowledge for declining participation. Nevertheless, all three panels obtained a reasonably broad composition in terms of expertise and representation. The overall response rate to the electronic survey was satisfactory, but due to the complexity of the subject, not all respondents in different stakeholder groups were able to reply to each question. Results are therefore mainly presented in aggregate responses, rather than per respondent group.

Cost-effectiveness was addressed by considering findings on questions of effectiveness and on efficiency (related to time, effort and cost). The comparative review of experiences and lessons of other allocation frameworks provided some insight into cost-effectiveness. It is, however, too early to make a firm pronouncement on this aspect.

Follow-up

The Council decided that the RAF will undergo a second independent review at the same time, or as part of, the fourth overall performance study of the GEF (OPS4). This will allow the Evaluation Office to follow-up on RAF aspects that are currently still evolving and for which further research is needed. The OPS4 is in its early stage of implementation and will be presented to the Council in the end of 2009.

The policy recommendations for the fourth replenishment of the GEF also mention that the GEF Secretariat and the GEF Evaluation Office should monitor and report, on a pilot basis, trends in countries' "Global Benefits Index" in the RAF drawing on the Country Portfolio Evaluations (and other relevant evaluations) that will take place in the coming years.⁶

In September 2005, the Council "confirms the decision [...] that the Secretariat should work to develop a GEF-wide RAF based on global environmental priorities and country-level performance relevant to those priorities". The policy recommendations of the fourth replenishment also stated that "Taking into account (i) the findings of the mid-term review, (ii) the progress of developing indicators for the other focal areas, and (c) subsequent decisions by the Council, the Secretariat will implement a GEF-wide RAF by 2010, if feasible"⁷. Based on the experience with the two focal areas the first GEF-4 period, the mid-term review provides some lessons that may help the GEF partnership in moving forward on the possible expansion of the RAF.

3. CONTEXT OF THE RAF

The purpose of this chapter is to place the development of the RAF, and its review, in the context of broader trends and reforms related to results, resource allocation frameworks, and other changes within and outside the GEF. It describes the objectives of the RAF, its process of design and development, and key external factors that have influenced RAF design or implementation.

3.1 Origins and Objectives of the RAF

For each replenishment to the GEF Trust Fund, the donors meet to make policy recommendations and strategic guidance for the next programming period. These recommendations are considered by the GEF General Assembly with all GEF participating countries, every four years. Subsequently, the GEF Council adopts these recommendations and provides directions to the GEF Secretariat and the GEF Agencies, which in turn operationalize the decisions. The notion of a performance-based allocation system for the GEF stems from the third replenishment negotiations.

Definition: A system for allocating resources in a transparent and consistent manner. The GEF Resource Allocation Framework (RAF) was adopted by the GEF Council at a special meeting in Cape Town in September 2006⁸, as part of its endorsement of the policy recommendations of the third replenishment of the GEF Trust Fund. The RAF is defined as:

“... a system for allocating resources to countries in a transparent and consistent manner based on global environmental priorities and country capacity, policies and practices relevant to successful implementation of GEF projects.”⁹

Objectives: Maximizing global environmental benefits and promoting sound environmental practices. Apart from allocating resources based on specified parameters, no explicit goals were directly assigned to the RAF by Council decision. Objectives are contained in the policy recommendations of the third replenishment, which requested:

“...a system for allocating scarce GEF resources within and among focal areas with a view towards maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide.”¹⁰

These objectives are typical of other performance-based allocation systems in other development organizations. The intention is to move away from opaque systems of allocating funds that were heavily influenced by historical precedent, variations and multiple other considerations, towards a rules-based system that is fully transparent because it is determined by a formula with stated variables and stated weights. The choice of formula has two sub-objectives; first to place funds where they are likely to be effective and, second, to give all member countries an incentive to improve.

The **second GEF Assembly** (2002) endorsed the policy recommendations, and agreed that “in order to further strengthen the GEF to respond to its evolving challenges, the GEF should *enhance its strategic business planning for allocating scarce GEF resources to high priority areas within and among focal areas, taking into account national priorities, with a view towards maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide*”¹¹ [author italics].

In addition to its objectives, numerous expectations have been assigned to the RAF. The approval of the RAF was the culmination of a laborious process of design and debate over more than four years. During this process, stakeholders and the GEF governing structures established several underlying objectives, principles and assumptions:

- **Consistency.** First, the Council established that the system should be consistent with the GEF Instrument, the environmental conventions for which the GEF is a financial mechanism, the Policy Recommendations of the Third Replenishment, Council decisions at the October 2002 meeting, and the Beijing Assembly Declaration¹².
- **Principles.** Second, the Council asked that the GEF Secretariat “should consider the principles of simplicity, transparency, pragmatism, cost-effectiveness, comprehensiveness, country-drivenness, and equal opportunity for all recipient countries to have access to GEF resources”, when developing options for the framework¹³. The Council recognized “the need for a transparent, equitable and inclusive system for the allocation of resources within the GEF”¹⁴.
- **Uniqueness.** Third, the Council recalled that a “performance based allocation system should reflect the unique nature of the GEF, its mandate to provide financing for incremental costs of achieving global environmental benefits, and its role as a financial mechanism of the global environmental conventions”¹⁵.
- **Good governance.** The Council “recognized further that success in meeting the objectives of the GEF is based on good governance related to environmental sustainability within each country and at the international level”¹⁶.

In addition, the RAF was expected to bring a number of other advantages¹⁷:

- Better targeting of GEF resources is expected to increase the impact of these resources on the global environment.
- Provide countries with increased predictability in the financing available from the GEF.
- Provide a framework for countries to program their resources in accordance with national priorities.
- Enhance transparency by specifying a well-defined and publicly disclosed method for allocating GEF resources.
- Strengthen each country’s ability to ensure that GEF financing is based on country priorities and reflects guidance from the international environmental conventions for which the GEF serves as the financial mechanism.

Duration. The GEF-3 policy recommendations, and the second Assembly, did not place a time limit of the duration of a PBA system. The GEF Council “agreed to implement, for the GEF-4 replenishment, a resource allocation framework”¹⁸, and asked for a mid-term review and a second independent review in conjunction with the fourth overall performance study of the GEF (OPS4). While this seems to imply a specific period for the RAF, other decisions refer to expansion of the system.

Coverage. The GEF-3 replenishment policy recommendations and the second Assembly did not initially specify coverage of the RAF. During the development of the RAF design, it became clear that it was difficult to identify satisfactory indices for all focal areas. As agreed by the Council, the RAF is implemented in GEF-4 for the biodiversity and climate change focal areas only, while the “Secretariat should work to develop a GEF-wide RAF by 2010, if feasible”¹⁹.

Concerns. A number of concerns were also raised during the development process and approval of the RAF, in terms of risks or potential disadvantages that might jeopardize the achievements of the underlying purpose of a resource allocation framework. These concerns relate to:

- **Vulnerability.** “..the impact of the RAF on smaller, vulnerable countries as they would be competing with each other for a limited amount of resources”, “the possible impact of the RAF on SIDS and on regional programs, and the possible negative consequences on those countries with poor capacity”²⁰.
- **Transparency.** “..the lack of importance given to marine resources in the biodiversity indicator, and the lack of transparency over the criteria used...” with a request that “work be done to more comprehensively take into account countries’ vulnerabilities, national priorities and natural resources, both marine and terrestrial”; and “lack of public disclosure in RAF means that the GEF will no longer be fully transparent”²¹. Conventions also expressed concern on the lack of transparency.
- **Efficiency.** “... concern [...] that RAF will result in complication of GEF operations, aside from permanent increase in transaction costs.”²²; “that it does not ensure the cost-effectiveness of the GEF's activities but leads to increasing bureaucracy; and that it is not sufficiently flexible to respond to changing circumstances”²³.
- **Selectivity.** “We question the exclusionary nature of RAF and the fact it lacks incentives for those considered to be low performers”; “that [the RAF] is exclusive and does not reflect the necessity of universal participation”.
- **Funding.** Related to the RAF, “Many Participants expressed concern over individual donors placing unilateral conditions on their contributions”²⁴.
- **Benefits.** “..we consider the promised benefits of RAF to be elusive”; “We are concerned that this jeopardizes the quality of GEF projects due to very low thresholds for a number of countries;”²⁵ and “... we are still unclear as to the real impact that the implementation of this proposed RAF will have on our countries..”²⁶.
- **Results.** There was general agreement among donors, recipient countries and other GEF entities that improved results based management (RBM) was desirable for the GEF. Already in May 2004, the Council “underscored the need to ensure that the performance based framework serves as an incentive for enhanced performance in achieving global environmental objectives ...”²⁷.
- **Convention commitments.** The climate change and biodiversity conventions expressed concerns on how the RAF would “affect funding available to developing countries for the implementation of their commitments under the Convention [of climate change]”; and “..undermine the developing countries to meet their CBD commitments, especially the LDCs and SIDS”²⁸.

3.2 Organizational and Institutional Context

The development and implementation of the RAF has taken place over a period marked by many other changes and reforms, both within the GEF entities and within larger sustainable development assistance. The changes in context have influenced the RAF design and implementation; or in conjunction with the RAF have in turn caused effects to the GEF partnership. The trends summarized below provide rationale, explanations for decisions, and attribution of changes to the RAF.

External context and trends

The GEF RAF is part of a growing emphasis on performance-based allocation (PBA) systems for International Financial Institutions. The World Bank has operated a PBA system for its International Development Association (IDA) concessional funds since 1977, while the African Development Bank (AfDB) started its PBA in 1999. The other multilateral development banks launched PBA systems in 2000 (CDB); 2001 (ADB); 2002 (IADB) and 2005 (IFAD); coinciding with the development of the RAF for the GEF. A technical working group, of which many of the GEF Agencies and the GEF Secretariat are members, meets annually and may allow the GEF to draw lessons from the experience of other organizations.

The emphasis on PBAs is also linked to effective results based management (RBM) within development aid organizations and the GEF. RBM is an organizational management strategy of which

allocations may form a part. A PBA system and RBM are not conditional on another, but a good RBM system can enhance the achievement of results that a PBA aims to promote. Many GEF Agencies have long had RBM systems with systematic planning and reporting on results, as found by a study by the GEF Evaluation Office²⁹. The joint evaluation of the GEF activity cycle found that “While the GEF has started taking note of the work done by the OECD DAC Joint Venture on Managing for Development Results, overall, it has not been sufficiently involved in the RBM work of partner Agencies”. The call for RBM in the GEF started with the GEF-3 replenishment negotiations, which encouraged improved organizational performance; strategic priorities and targets. The targets for the GEF-4 replenishment period will be influenced by RAF implementation. The Council approved a framework for RBM in the GEF in June 2007, for which development is still ongoing.

The United Nations have also promoted RBM for some time³⁰, mainly focusing on internal organizational issues. The UN funds and programs implement various ways to provide funding to countries based on needs and performance. For example, UNDP has had a type of incentive-based allocation system since 1997³¹. At the beginning of each programming cycle, Target for Resource Assignments from the Core” (TRAC-1) resources are allocated based on the latest gross national income per capita (GNI) and population data. Fifty percent of programmable resources (TRAC-2) are kept for incentive and performance based allocations. The objective of the TRAC-2 resource facility is to provide flexibility to allocate resources to high-impact, high-leverage activities and to reward program quality.

The development community, and the Conference of Parties of environmental conventions, are increasingly emphasizing simplification and harmonization of development efforts. The Paris Declaration (2005) is an international agreement to which over one hundred Ministers, Heads of Agencies and other Senior Officials adhered and committed their countries and organizations to continue to increase efforts in harmonization, alignment and managing aid for results with a set of monitorable actions and indicators. The linkages to the GEF RAF are mixed. On one hand, the RAF may be seen as harmonization with other PBA systems of international financial institutions (IFIs). On the other hand, the GEF has lagged behind in simplification, innovation and harmonization of operational modalities through which allocations are utilized. The GEF does not apply new delivery modalities that stress increased national ownership such as budget support³². Though improvements have been made, there is consensus among stakeholders that the GEF still has a way to go in the area of simplification. As a partnership working through many Agencies, harmonization is especially relevant to the GEF.

It is as yet unclear how the RAF will affect, or be affected by, United Nations reform and the move towards the “UN as-one”³³. A PBA is not currently part of this reform, but an indicative entitlement-viewed grant could allow easier integration into joint UN programming. The RAF has not made use of UN-based analytical tools such as the Common Country Assessment or the UNDP Human Development Index.

The GEF Secretariat has started cooperation with similar funds³⁴, through the Global Programs Learning Group. The Group prepared a paper for the high level forum on aid effectiveness in Accra in September 2008, which states that “The GEF sees itself evolving to become more country friendly while guarding its global priorities, with the evolution driven by its management, its replenishment and governance process, and its evaluation system.”

The RAF was introduced at a time with increasing competition for funding, with the realization that the level of resources is insufficient to meet needs. The Monterrey Consensus of the 2002 United Nations International Conference on Financing for Development, identified six areas of financing for development. Countries also reached agreements on debt relief, fighting corruption, and policy coherence. Issue six is especially pertinent; addressing systemic issues - enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development. The Follow-up

Conference to Review the Implementation of the Monterrey Consensus, is scheduled for November 2008, in Doha, Qatar. Meanwhile, the collapse of WTO trade negotiations "...gave way to resignation that a shift in the global economic hierarchy had darkened the prospect any time soon of a new accord to further open markets."³⁵

Most official development assistance (ODA) has been centered around the **United Nations Millennium Declaration** (2000) and its eight Millennium Development Goals (MDGs) to be achieved by 2015 or 2020, the first time that a holistic strategy to meet the development needs of the world was established. Consequently, much of ODA and country programming have been aligned behind poverty strategies. The GEF mandate relates to MDG goal 7: *To promote environmental sustainability*, with targets to integrate the principles of sustainable development into country policies and programmes, and reduce biodiversity loss by 2010. The GEF does not have mandate on poverty, in fact, during the discussions on RAF design, it was suggested that "In considering the Council's guidance to consider the poverty indicator, it is our judgment that it would not be appropriate for the GEF framework given that there are several other multilateral institutions that focus on poverty, while GEF is the only institution that focuses on the global environment"³⁶.

On **predictability** in delivering on global commitments, the OECD recently surveyed aid allocation policies, country programmable aid (CPA) was US\$ 60 billion in 2005, the baseline year. Some US\$ 47 billion of this was from bilateral donors, equal to 46% of their gross bilateral ODA. The Survey results show that so far that "CPA is programmed to increase by 2010 by nearly US\$ 12 billion over 2005 [...]. Recent record replenishments of IDA and the African and Asian Development Banks will add around a further US\$ 4 billion of ODA to this figure in 2010..."³⁷.

The emphasis on funding needs have spread to environment areas and conventions. At the CBD COP-9, it was pointed out that "African countries experience huge funding gaps at all levels in addressing the needs for achieving the three objectives of the Convention. The resource allocation framework has simply worsened this situation"³⁸. The Conference of Parties (COP-9) pointed to the need for "a full assessment of the amount of funds needed for the implementation of the Convention for the sixth replenishment period of the Trust Fund of the GEF"³⁹. Meanwhile, the GEF Secretariat has been working to support the Conventions secretariat on a resource mobilization strategy⁴⁰.

The changing context is especially notable in climate change. A recent study from the OECD Development Centre pointed out that "International development finance has evolved into a complex system with emerging actors, both private and public, raising sources by using new instruments and channels. Rather than the scaling up of programmable aid resources, there is a scaling up of the number of aid providers"⁴¹ (Reisen 2008). On 2 July 2008, the World Bank Board gave formal approval to create the **Climate Investment Funds** (CIF) designed to scale-up funding to help developing countries in their efforts to address climate change⁴². Total funding for the Climate Investment Funds is expected to be between US\$5 and US\$10 billion⁴³. The ADB also recently established a large climate change fund with an initial contribution of US\$40 million. Based on COP resolutions, the emphasis on **adaptation** to climate change is finally receiving due attention, as illustrated by the *Declaration of integrating climate change adaptation into development cooperation, by development and environment ministers of OECD*, 4 April 2006, and funds are also being established for this purpose. However, "This multitude of actors and financing channels, combined with the broadening goals of traditional development assistance (which now also include global and regional public goods) make up an international development finance architecture which can be characterized as spontaneous disorder, or a non-system" (Reisen 2008). With increasing competition in funds, the GEF is challenged to become more effective and in providing sufficient levels of funds in an efficient manner.

The GEF is a financial mechanism for several environmental conventions, and was established as a *facility*⁴⁴. Given its dual nature as a financial mechanism for the environment, the Council and governing structures have always been represented by ministries of finance and of environment. The development of the RAF mirrored these differing perspectives; which have culminated in the RAF.

The GEF, however, is not a development bank. While the GEF Instrument does not prohibit loans, the GEF provides grant financing only. The operational guidelines on non-grant instruments established that “In the GEF context, all eligible countries are entitled to receive grants⁴⁵.” The recent GEF policy (April 2008) on non-grant instruments envisage that use of such instruments directly or indirectly will be “primarily linked to investment projects” and that reflows should be re-programmed to the benefit of the same country. Loans are part of GEF projects, rather than the project being a loan that the government has to repay. In this regard, the GEF is more similar to UN organizations than to IFIs. The mid-term review has not been able to identify comparable global programs that operate through allocation systems like the RAF.

Internal issues and other GEF reforms

The RAF coincided with the new replenishment period and a new Chief Executive Officer (CEO) of the GEF in July 2006. Policy changes and reforms related to these events have affected implementation of the RAF. The CEO presented to the Council at the December 2006 meeting a five-point sustainability compact consisting of five key elements (strategy, innovation, equity, accessibility, and focus) aimed at raising the impact of GEF investments to a new level of results. Increased impact is also the underlying intent behind a number of other reforms. The main issues that have influenced the RAF implementation include:

- The revised focal area **strategies and new strategic programs** for GEF-4 were approved in October 2007, more than a year after the RAF was launched. Both the timing of approval and the tighter scope of the focal areas from GEF-3 to GEF-4 have affected the pipeline and access to funding under the RAF. The four other focal areas, some relatively new, have also gained momentum in demand of resources. Both in biodiversity and in climate change, the Strategic Long-term Objectives for GEF-4 have moved up to a higher level; for example, from attention to protected area to protected area systems; and to market transformation in the climate change area. In climate change, there has been a move towards energy efficiency (in industry and buildings) and on-grid renewable energy. Other areas are no longer key priorities, whereas some priorities are new.
- The GEF has also taken on additional areas of work. The GEF was invited to provide secretariat services to the Board of the **Adaptation** Fund of the Kyoto Protocol at the most recent meeting held in Bali in December 2007 of the Conference of Parties of the UNFCCC. The new Fund, once operational, may benefit from the experience of the GEF Strategic Pilot on Adaptation (SPA, launched in GEF-3, carried over to RAF) to support pilot and demonstration projects for adaptation to climate change. The GEF also operates the Special Climate Change Fund (SCCF) and the LDC Fund (LDCF), which remain outside the RAF. A new public-private partnership fund (PPP, The Earth Fund), was also approved in December 2007, with IFC as the lead agency. The GEF was also requested to elaborate a strategic program to scale-up investments in environmentally-friendly technologies in mitigation and adaptation⁴⁶.
- The GEF **project cycle** has historically been a major bottleneck for access to GEF funds. Based on the Joint Evaluation of the Activity Cycle, the Council approved a new cycle in June 2007. The **new** project cycle was first applied to the third work program under GEF-4, in November 2007. It involves approval of a Project Identification Form (PIF) by the CEO at an earlier stage of the cycle on a rolling basis. The project development facility (PDF) has been replaced with a more limited project

preparation grant (PPG). The new project cycle took time to settle down and changes were introduced over time to templates and procedures for fullsize projects (FSPs) and medium-size projects (MSPs).

- At its meeting of April 2008, the Council approved the GEF approach to **programmatic approaches**, which had already gained momentum under GEF-3, and often involve multifocal projects. Agencies must submit a PIF for the program first, with associated individual project PIFs at the same time or later.
- A **communications and outreach** strategy was approved by the Council in November 2007. This has led to a revised GEF Secretariat website; more attention to media and publicity, and active outreach to key stakeholders such as conventions. A barrier identified in several evaluations⁴⁷, is the lack of **transparency and information** in the GEF, especially on the project management tracking of project progress and status. In November 2005, the Council approved funds of 700,000 US\$ for the development of a new Management Information System (MIS). The system is not yet operational; though envisaged to launch in October 2008.
- In January 2008, the GEF Secretariat introduced a **country portal** providing information on portfolio status. At first information on pipeline status, the most relevant for RAF resource management, was limited in access and password-protected, but the GEF Secretariat has since taken commendable steps to make this information available to the Agencies. The system is not as yet able to systematically report on the 10-days response time for review, or the 22 month cycle. The lack of clear guidance was to be addressed by the Operations Manual was released in April 2008. The Manual was supposed to be uploaded on the GEF website, but as yet focal points must ask for a CD-rom to be sent to them.
- To meet the new challenges under GEF-4, the GEF Secretariat has been **restructured** and seen considerable staff turnover. Three focal area teams have been merged into a natural resources team, and other teams have been reinforced (external affairs, climate change). Around half of staff have left, and been replaced; a Conflict Resolution Commissioner has been appointed and regional focal points created in some teams. The Secretariat have taken on additional tasks related to RAF implementation; as well as portfolio monitoring under the 2006 M&E policy and the new RBM framework approved by the Council in June 2007⁴⁸. The STAP and the NGO network have also reviewed their strategies and approaches.

The **GEF partners** have also been subject to considerable change under GEF-4, in turn related to their roles and relationships. Following the Evaluation of the Experience of the Executing Agencies with the GEF, these Agencies were put on equal footing with the three Implementing Agencies and granted direct access to GEF funding based on their comparative advantages⁴⁹. The comparative advantages were clarified to the Council in June 2007.

In addition to providing support on the RAF, the Agencies have met with demands for support or information from the GEF, including increased support to corporate programs such as participation in the SGP Steering Committee; compliance with the fiduciary standards approved by the Council in June 2007, and on which the Agencies reported in April 2008; renegotiating the financial procedures agreements with the GEF/Trustee; reporting on efforts to mainstream global environmental challenges into core development work, strengthening their M&E systems; and so on. The Agencies must comply with new procedures on termination and cancellation of projects (December 2006), use of non-grant instruments (November 2007); templates and procedures for programmatic approaches through a Program Framework Document (PFD), which are not covered by management fees; and were recently requested to submit lessons learnt forms (August 2008) from evaluations.

Meanwhile, the corporate budget for implementing agencies was eliminated as of Fiscal Year FY08, as per the Council decision in December 2006, together with an increase in project cycle management fees to 10% applicable to all ten GEF agencies. In April 2008, the Council requested each GEF Agency to report annually on services provided and actual aggregated expenditures on corporate activities and project cycle management with breakdowns and lists of staff⁵⁰. Budgeting for projects has become more exacting, requiring new information on financial issues in the PIFs and with limitations on eligible budget items.

After the simplification of the project cycle, there has subsequently been a proliferation of forms related to the changes above. The GEF Secretariat in July 2008 has developed a hundred or so internal formats and templates for project management that Secretariat staff, the Agencies and GEF Focal Points must fill out at various points in the project cycle. In short, all agencies are expected to do more, whereas those with small portfolios may not have sufficient funding to cover the costs. Where this proves to be difficult, the implementation of the RAF is affected.

3.3 Development of the RAF

The evolution of the RAF can be divided in three periods: (a) the development phase until approval; (b) Planning for implementation; and (c) Implementation to midpoint reallocation.

Phase 1: Development until approval: 2002 to August 2005

The origin of the RAF stems from the third replenishment in 2002. It was introduced by the representative of the United States⁵¹ in the sixth and last negotiation meeting before the **replenishment** policy decisions were approved in August 2002. Replenishment participants requested the GEF Secretariat to prepare a proposal of an allocation system, for which implementation should be initiated immediately after a Council decision in May 2003. Furthermore, 70M US\$ of additional financing of the record replenishment of three billion US\$ was made conditional upon approval of a PBA.

The proposal, in May 2003, was not able to develop a full-fledged PBA. First, it requested clarification from Council on the overall objective of the framework, and tried to interpret performance in the GEF context. It proposed two options; (a) an “a priori allocation” to countries, or (b) a “screening approach” of projects. Option (a) was later to be chosen, but no decision was made at the meeting. A **RAF Technical Working Group** was established to prepare elements of a PBA framework.

The working group (WG), with 10 members nominated by Council constituencies⁵² as well as two PBA experts, started work in July 2003. Its report, presented to the **November 2003 Council Meeting**⁵³, proposed a two-component system – performance and needs - and defined, for the first time, the ‘needs’ as the potential to deliver global environmental benefits. It also introduced the notion that a GEF-wide results framework would be difficult, and recommended an immediate focus on the biodiversity and climate change focal areas. These two suggestions were milestones.

On the other hand, the WG proposal of a phased development approach of the PBA was not adopted, nor was there agreement on options. The United States had sent Council members a letter⁵⁴ before the November 2003 meeting, with comments on the draft, and warning “...efforts are in substantial danger of becoming off-track” and that “only Option 1 satisfies the requirements of the GEF-3 agreement”. The rationale for a PBA system was reiterated; “Our strong belief is that these [PBA] systems bring greater effectiveness to international assistance programs, by increasing analytical decision-making in allocation processes, by allocating resources where they will be better utilized, and by increasing the clarity and transparency of this decision-making for both donors and recipients”.

At the November 2003 meeting, the Council still requested a *GEF-wide* system, based on global environmental priorities and country-level performance relevant to those priorities. A number of key principles were established, together with a more realistic timeframe, aiming for a conclusion in November 2004. After four months of work, the Working Group was disbanded. The pressure was now on the GEF Secretariat to continue developing the framework.

The Secretariat presented to the **May 2004⁵⁵ Council Meeting**, a comprehensive proposal with options on indicators, weights and formulas for biodiversity and climate change. It had called on the support of the WB Development Economics research group (WB/DEC), who had worked assiduously in participation with a number of international environmental NGOs, especially on biodiversity.

On performance, use of the indices from Kaufman, Kray and Zoido-Lobotan (KKZ) of the World Bank Institute (WBI) was not accepted, though they cover six aggregate indicators for 199 countries. The paper cautioned that the WB CPIA indicators are broader but not fully disclosed; that the GEF would not have resources to develop its own data set; and that other sectoral indicators were not readily available. Most of the proposed elements are present, in amended form, in the final version of the framework. The Council also decided that “consideration should be given to an indicator related to poverty and a country’s capacity to finance global environmental benefits by itself”; neither would be included later.

The report discussed **two models**: (a) “Ex-Ante Allocation to Countries”, and (b) a variation of this model, in which five country groups⁵⁶, each with similar needs and performance, would receive an equal share of resources and compete for funds *within* each group. This was the first time that a type of *group* allocation was mentioned. The range of maximum and minimum amounts meant that the top ranked country in group two could hypothetically get more than the lowest in group one; this was not welcomed. In the end, *both* options – individual and group - would be selected.

The complex subject seemed to call for another discussion format than Council meetings. A seminar for Council members was convened in **Paris in September 2004**, mainly debating a more elaborated document on **three models**: (a) Individual Country Allocation Model; (b) Country and Group Allocation Model; with a cap at US\$10 million for the individual countries and two separate group allocations, and (c) Rules-based Model with due diligence measures to deal with performance issues. The second was a compromise suggested by one donor (Canada) between the member favoring option (a) and others favoring the group approach. The last option on rules was quickly ruled out. One constituency favored the Country Allocation Model, and several others were supportive of the Country and Group Allocation Model. Several other constituencies requested the Secretariat to develop a model that would *not* allocate resources to countries in an ex-ante manner⁵⁷. One step forward was the confirmation that, legally, nothing in GEF Instrument or convention guidance prohibits or requires a performance-based framework⁵⁸. Another advance to the process was the information by the GEF Secretariat on historical allocation shares to countries and to global, regional, capacity building, and SGP. It provided reassurance that “The historical allocations of the GEF are best represented by weights of 0.8 for potential environmental benefits and 1.0 for country performance for both the biodiversity and climate change focal areas”⁵⁹, although it led to observations that “if new models reflect historical allocations, why develop a new RAF based on different criteria?”⁶⁰.

Based on the seminar discussions, the Secretariat proposed a “phased approach” to the **November 2004 Council**, consisting of an initial screening phase; a country/group allocation phase, followed by an exclusively country-based allocation phase⁶¹. This was not taken up. The negotiations had reached an impasse. For the first time in GEF history, the Council considered to vote on an issue rather than to reach a consensus decision, and guidance on voting procedures had to be requested⁶².

The written Council member comments before the meeting had brought out divergent views⁶³: Most provided suggestions but no preference for options, several preferred option (b), and one representative preferred option (a). At this point, the negotiations had split into three groups: the USA with Canada; Europe (EU) and Japan; and the G-77. Three motions were tabled at the Council meeting, with different views on process; conditions; and decision authority. Whereas all three motions agreed on a screening phase, the start of this phase was not authorized at this point.

The year 2005 would be the decisive period in RAF approval process. In early February 2005, a Heads of Agencies meeting resulted in commitment and support from the Implementing Agencies in obtaining agreement on the RAF. Until this point the cooperation with the Agencies had been minimal in RAF development, although they had presented their practices related to performance and current allocation approaches to the 2003 Technical Working Group.

Negotiations now zoomed in on outstanding issues, in the **second Paris Consultations in March 2005**⁶⁴, namely the “trigger” to move the RAF beyond “the screening phase”; the content of the country performance indicator; and the share of RAF resources between individual countries and group countries⁶⁵.

The discussions had by now moved to corridor diplomacy, with Council members continuing further discussions after March, with a view to taking a final decision on the RAF at the June 2005 Council Meeting. In the interim, the GEF Secretariat produced six detailed technical notes on issues such as Equations and Weights; Public Disclosure, and Assessment of Biodiversity and of Climate Change Benefits. The notion of energy intensity had been added to greenhouse gas (GHG) emissions in the climate change index, in response to concerns from several stakeholders, including the UNFCCC Secretariat. The note on thresholds simulated the 48-52%, and 62-38% shares of individual vs. group countries (in biodiversity and climate change respectively) with the cut-off (i.e. threshold) being 10 million US\$, but also mentioned that Motion B asked for a minimum of 75% of resources going to individual countries. In the final approval, the thresholds would be dropped, and the 75% would be selected.

A RAF decision was *not* taken at the **June 2005 Council Meeting**, as had been anticipated⁶⁶, but the three motions were suspended, as a double majority would still be unlikely. Information was provided on one of the remaining contentious issues, namely disclosure of the CPIA, which had meanwhile become publicly available, but for International Development Association (IDA) recipients only, and not for borrowers from the International Bank for Reconstruction and Development (IBRD). Two Constituencies expressed serious concern in written statements⁶⁷ on the RAF. The CEO stressed the need to reach final agreement at an extraordinary Council meeting in end August 2005 if the replenishment meetings for GEF-4 were to go forward. The GEF was at a turning point.

The **Council meeting approved the RAF** in a special meeting from 31 August to 1 September 2005⁶⁸. The final points were resolved by a small group of donors at 2 a.m. in the morning on the last day. After the long and arduous process over seven Council meetings, participants and other stakeholders appeared more exhausted than relieved. The approved RAF document⁶⁹ announced, for the first time, the eligible countries, 148 in biodiversity, and 160 in climate change, but as yet, no amounts. The various simulations may have enabled some countries to gain an idea of where they would stand in terms of allocations under the RAF, and participate in the negotiations accordingly.

In the final approved version, political **compromises** and tradeoffs had to be made. From the technical papers in the spring of 2005 to the August decision, the proposed marine-terrestrial weighted score changed from 30-70% to 20-80%; thresholds were dropped and replaced with a 75%-25% cut-off line

between individual and group allocation countries, and not the 48-52%, and 62-38% cut-off. In performance, the weight of the Portfolio Performance Indicator (PPI) had decreased from 20 to 10%, and the CEPIA increased from 60% to 70%. One element, the 50% rule of resource use, was introduced in the document without prior analysis or discussion. The weights between benefits and performance remained constant at 0.8 and 1.0, however, throughout the process.

Discussion on country ceilings had not been raised since November 2004, when the GEF Secretariat informed that “country ceilings of approximately 7% in biodiversity and 20% in climate change will start to impact indicative country allocations...⁷⁰”. Subsequently the ceilings were fixed at 10% and 15%, respectively. The amounts for set-asides from the formula had also not been central in discussions. In the first Paris consultation, the Secretariat proposed 10% for the SGP and capacity building; and 12% for global and regional projects in each focal area. This was ultimately reduced to 5% each for SGP/capacity building and global/regional projects.

Ultimately, the RAF is a result of a political process. The indicators and indices are based on scientific work, but the other design parameters described above requires strategic policy decisions. There is no explicit or clear precedent or practice of what each weight, floor or ceiling must be. Some of the challenges of developing such a complex framework for the first time would become apparent in implementation. Considerable more work lay ahead to operationalize the decision.

Phase 2: Planning for implementation: August 2005 to summer 2006

After the Council decision on the RAF in early September 2005, the real discussions on actual implementation started in October 2005, with the first meeting of an **Inter-Agency RAF Task Force** (RAFT). This was the first time the GEF Agencies were invited officially to consult on the framework.

Two challenges presented themselves: (a) operational policies and procedures, and (b) disclosure of RAF data and allocations. On the last issue, the GEF Secretariat requested agreement from the **November 2005 Council meeting**⁷¹ on some early disclosure of tentative allocations, for Agencies and countries to prepare for the transition to RAF. Specific allocations were not yet determined, as the fourth replenishment negotiations were still in progress. The decision was changed to “to continue to consult with countries to assist them with the transition to the RAF...”. However, for the first time, the Council paper presented tables that illustrated eligible countries in bands (range) of allocations, with likely countries in the group and individual allocations, and those on the cusp that might fall either way. The final allocation would prove to be relatively similar to these bands.

The RAFT addressed a number of issues that had not been considered thus far in the process, including meeting GEF-4 programming targets developed in the replenishment; managing aggregate focal area resources and short-term imbalances in aggregate resources under RAF; definition of global and regional projects; lack of incentives to engage in such projects; and need for criteria to determine eligibility for funding. The focal area taskforces also helped develop criteria to determine eligibility of concepts. Nevertheless, the discussions were hampered by lack of clarity on the possible effects of the RAF. Hoping to help with interim disclosure and planning of country allocations, the RAFT’s main output was the guideline to the GEF focal points in **April 2006**, after which the RAFT was disbanded.

The year 2006 was extremely eventful for RAF launch and implementation, with a flurry of letters, consultations, decisions, and changes. To the mid-term review, some stakeholders termed it “the lost year”, in that the stakeholders lost the opportunity to secure a good transition to GEF-4 and start of the RAF. Some decisions taken to manage the transition in this period were later overturned.

The **CEO letter** of 7 March 2006, the first of six letters during 2006, was the first announcement to the majority of operational focal points of the RAF. The CEO recommended that the Focal Points initiate a process of consultations to determine national funding priorities for GEF. The 4 May 2006 guidelines provided (a) preliminary amounts based on GEF-3 figures; and (b) lists of project concepts under preparation in the country. Countries were also encouraged to consider additional concepts in their consultation on priorities. By 12 May 2006, customized letters had been sent to operational focal points, requesting “an initial list of endorsed project concepts” by 15 September 2006.

The main vehicle for support to the recipient governments on the RAF was the series of seven **sub-regional workshops** for focal points, between the end of April to August 2006. Three of the sub-regional workshops were held after 1 July 2006 when the RAF was to be officially launched. The focal points expressed numerous concerns and questions, as well as frustration of being presented with a fait accompli, without prior consultation. Most concerns were common across regions and mirror the implementation issues (see Technical Paper #4).

During the development process, the **Conventions** had not been officially involved with the RAF, until the framework was finally approved by the Council, considering the uncertainty in its final approval and design. Once approved, the Conventions were formally briefed on the RAF, with presentations at the UNFCCC COP11 already in November 2005, and at the COP of the Convention on Biological Diversity in March 2006. Meanwhile, the legal opinion of the GEF legal counsel on the RAF, and an independent study (Wiser 2006) had provided a generally positive assessment on the conformity of the RAF with the Instrument and guidance.

At the **June 2006 Council Meeting** when the new CEO was appointed, the first progress report on the implementation of the RAF was presented⁷². The Council asked the Secretariat to ensure that countries would be informed about the possibility of using their country allocations for the SGP, which had not been expressly covered in the guidelines to focal points. The Council was also presented with the largest work program in history, with 76 proposals amounting to 565 MUS\$, for un-utilized resources under GEF-3.

Phase 3: Implementation to midpoint reallocation: 1 July 2006 to 1 July 2008.

Formally, the GEF-4 and RAF implementation started 1 July 2006, but in reality key parameters were not in place, as the third replenishment was only concluded at a **Special Council Meeting** in the end of August 2006⁷³, in conjunction with the third GEF Assembly in South Africa. The Assembly endorsed the replenishment policy recommendations, but also raised a number of concerns about the impact of the RAF.

In mid-September 2006, the initial **indicative allocations** under the RAF could therefore be finalized and were **disclosed**. At the same time, the GEF Secretariat informed the Agencies that all concepts in the pipeline⁷⁴ would have to be reviewed and pipelined again in the context of the programming strategies.

By the September 15th deadline for national priorities by Operational Focal Points (OFPs), fifty-five countries had provided a prioritized list of projects for funding in GEF-4. These were not necessarily the same projects in the official pipeline. Meanwhile, in August 2006, the new CEO had informed the focal points that the September deadline for endorsement of project concepts would apply *only* for proposals that might be considered for in a possible December 2006 work program. Many had, however, prepared a full list as per the original instructions.

By October 2006, 75 countries had provided a detailed pipeline of project proposals with identified GEF Agencies. The **fourth CEO letter** to focal points noted that “it is not clear how the proposals reflect

national priorities, GEF strategies, and global environmental commitments”⁷⁵, as well as Agency comparative advantages, and that the GEF Secretariat would contact all countries for verification. On 19 October 2006, the GEF Secretariat therefore started **teleconferences** with 127 recipient countries, over the next six months until end April 2007. This was a Herculean effort, and the first time that the Secretariat had entered directly into pipeline discussion with countries. The Agencies were not part of the consultations, but were supposed to receive copies of the subsequent Secretariat letters summarizing the conclusions. These letters either indicate Secretariat agreement or disagreement with the country proposals, suggestions to merge or reformulate, or no decision. These teleconferences were to have a big effect on the pipeline.

Another influential new development was the preparatory consultation on the evaluation of the activity cycle, and the evaluation of the experience of the Executing Agencies, presented to the November 2006 Council. On these issues, changes were introduced to make the playing field more level for the Agencies. Also, “...the CEO clarified that there should be no formal agreements between the agencies and countries prior to CEO approval of a PIF. It was further requested by the CEO that the agencies not lobby countries or Council Members”⁷⁶.

At the **December 2006 Council Meeting**, no work program was approved, as the Trustee had not yet received enough contributions to make the fourth replenishment effective. The Council approved new rules and criteria for project selection and cancellation⁷⁷. These were put into immediate effect, in a letter from the CEO to the Agencies in mid-December 2006 on the 2007 pipeline, rejecting 115 proposals, with a list of projects retained. At the same time, it was reconfirmed that “no agency should undertake formal discussion on a project proposal for GEF financing prior to approval of a PIF by the GEF”⁷⁸. On 15 December 2006, in the fifth letter to focal points, the CEO provided detailed information on the project concepts that were omitted from the GEF pipeline, but also stated that the “GEF is not permanently closed for those project concepts that have not been included”.

Guidelines on the **SGP** were also issued in December 2006 from the CEO to focal points on new countries, graduation strategy and limits of RAF use for the SGP. In their list of national priorities, several countries had indicated their desire to provide considerable funding to the SGP. The first SGP Steering Committee meeting had agreed on procedures for allocating resources, whereby the SGP core budget would be prioritized for group allocation countries and 23 new entrants to the SGP, while RAF individual country allocations would be capped at certain amounts.

In early February 2007, GEF-4 and the **RAF finally became effective**, and the extended GEF-3 phase came to an end. The first full work program under RAF was presented at the **June 2007 Council Meeting**⁷⁹. By July 2007, nine countries had managed to fully utilize their first half of their allocations⁸⁰.

In **conclusion**, the complex and protracted development and transition process had a number of unintended effects, of which some have affected implementation. The process had a negative fallout in reduced trust and dissatisfaction among stakeholders. Participation and involvement in the RAF design process was uneven. The process did not fully include standard GEF partners. None of the GEF Agencies were actively involved in the development process before the approval of the RAF, neither regarding the design nor regarding implementation issues. The same applies for focal points, the STAP and convention Parties. Excepting the representatives in the Council, the majority of focal points were not informed or consulted. It is of course possible that more extended consultations would have rendered the process even more complex, and might not have been able to change the final outcome. It did, however, not secure the necessary buy-in from the very persons who would have to implement the RAF – the countries and the Agencies.

3.4 Allocation Process

Once the Resource Allocation Framework was approved, a number of issues had to be resolved before implementation could begin, as described below.

a. [Replenishment](#)

The timing, size and level of replenishment are important for the predictability of RAF funds. The GEF-4 replenishment was completed in end August 2006. On 19 October 2006, the World Bank Executive Directors adopted the GEF-4 Resolution, thereby authorizing the Trustee of the Trust Fund to manage the resources made available under the GEF-4. The Advance Contribution Scheme under the GEF-4 became effective on 30 November 2006⁸¹.

The GEF-4, with the largest replenishment in the history of the GEF of \$3.13 billion⁸², became effective on February 8, 2007, when the Trustee received Instruments of Commitments (IoCs) or Qualified IoCs from donors amounting to at least SDR 929 million (typically 60% of the total contributions). Replenishment participants also decide on the share of resources among focal areas. In GEF-4, biodiversity and climate change received 1 billion US\$, corresponding to 33% of the total of 3,010 billion US\$ for all focal area funds, as has been historical practice.

The payment schedule for replenishment contributions contained four equal installments (about US\$ 783 million each), at the end of November of 2006, 2007, 2008, and 2009. By this schedule, the GEF should have received 50% of the GEF-4 replenishment amount by the end of November 2007, seven months before the midpoint. By April 2008, only two donors were in arrears of their second installment (arrears totaling 18.35 M US\$), and another three had not submitted IoCs⁸³. Seven donors had exercised their right to an extension of payment of the second quarter of funds (until 30 June 2008, the exact midpoint of GEF-4) amounting to 103.5 M US\$.

The replenishment amounts have increased in nominal terms since the pilot phase, from two billion US\$ in GEF-1, US\$ 1,2759 billion (GEF-2), and three billion US\$ in GEF-3 to 3.13 billion US\$ in the current phase. These do not reflect depreciation, inflation, exchange rate differences or other changes in value over time. Nor do amounts provided to counties in US dollar terms take account of purchasing power parity (PPP), whereby exchange rate equalizes the purchasing power of different currencies in different countries for a given basket of goods. Some of the 'gain' in the GEF-4 replenishment was caused by the depreciation of the US dollar compared to other currencies. Estimates indicate that the new money for GEF-4 of 3.13 billion US\$ may amount to less than two billion US\$ in 1994 dollars.

In summary, the timing and size of the replenishment influenced the access of funds by countries under the RAF. Timely fulfillment of payment schedules plays a role in future access; the Trust Fund currently provides sufficient liquidity for approvals, but not extensive, as considerable amounts are tied up in commitments for projects and concepts. With twenty other donors having paid their full amounts, the net funds available for approval in April 2008 amounted to 666.1 million US\$ equivalent (with 3.05 billion US\$ set aside for projects already approved by CEO or Council but not yet disbursed). Thus, the flow of funds is not linked to the 50% limitation in access per country until midpoint of GEF-4.

b. [Eligibility](#)

Countries are eligible for GEF funding in a focal area if: (a) they meet eligibility criteria established by the relevant Conference of Parties for the focal area; or (b) they are members of the conventions and are countries eligible to borrow from the World Bank or eligible for technical assistance from UNDP⁸⁴.

The RAF has changed the processes for establishing which countries may receive GEF support, because a system allocating resources up-front must be based on clear list of which countries are eligible. Until the RAF, country eligibility was decided on a case-by-case basis when a project was submitted and the system regulated itself automatically.

Establishing eligibility was not an easy process for the GEF Secretariat. The *RAF document* found that “...there are not always clear criteria provided by the conventions to determine eligibility. Indeed, no clear list exists of eligible parties under the convention for which the GEF is the financial mechanism.” For instance, while CBD considers developing country parties eligible for GEF funding, it does not provide a list of developing countries. Under the UNFCCC guidelines, non-annex 1 parties to the Convention on Climate Change irrelevant of their income level are eligible for funding”. The GEF Secretariat therefore established interim criteria and has continued to expend efforts in trying to resolve the issue on a more permanent basis for the reallocation, as well as for other focal areas.

In its meeting of November 2005, the Council requested that the GEF Secretariat consult with the UNFCCC and CBD Secretariats to finalize the lists of eligible countries by April 2006. At the first Meeting of the RAF Task Force (RAFT) at the end of November 2005, the first item on the agenda was the confirmation of eligibility list by UNFCCC, CBD, and WB/UNDP, since indicative allocations could not be finalized without this information⁸⁵.

The Council is authorized to determine additional eligibility criteria as per the Instrument, paragraph 9. In November 2004, the GEF Secretariat also requested the Council to clarify the appropriate treatment of countries that were in line for European Union (EU) accession. Subsequently, several countries became members of the EU and graduated from World Bank and UNDP assistance⁸⁶. Their GEF allocations reverted to the Trust Fund and were redistributed at the mid-term reallocation. This was also the case for Poland, who although eligible, voluntarily declined its allocation, finding that “the GEF resources can make a greater difference in less developed countries”⁸⁷. This is commendable, as it liberated 38.1 MUS\$ for other programming in climate change.

UNDP and World Bank assistance. The Instrument criteria of eligibility for World Bank or UNDP support does not play a large role in determining the country list, because the convention criteria are broader. Turkey and Ukraine, two indicative allocation countries, are eligible as Parties and recipient of WB and UNDP assistance, but are not non-Annex 1 signatories. The **World Bank** does not have operations in 25 of the GEF eligible countries⁸⁸. **UNDP** provides assistance to most of the countries, except for the East European countries that graduated both from UNDP and World Bank support⁸⁹. The UNDP also provides support to so-called net contributor countries (NCC); these are countries with relatively high income but that benefit from UNDP support while providing more in donor contributions to UNDP. This was an issue that required clarification in the development process.

New countries. Some countries that are eligible never requested GEF funds previously. The “new entrants” to the GEF system are particularly found in the climate change focal area, where the Convention provides for GEF funding to all Annex 1 signatories. They consist of either high income countries; or low income countries, such as small crisis or post-conflict countries. In climate change, 18 countries have not had any historical allocation⁹⁰. Four countries are not Party to the conventions and therefore not eligible (Iraq, Kosovo, Palestine, and Somalia).

The RAF also provides funds to countries that are eligible for loans and lending but that are not otherwise eligible for large sums of grant money, such as China. RAF allocations are also provided to 27 countries that are not traditional recipients of official development assistance (ODA OECD definition⁹¹) and to 27 countries that do not benefit from either IBRD loans or concessional funding from the International Development Association (IDA). Because the RAF performance index is based on the CPIA assessment

of IDA grant recipients and IBRD loan clients, performance data for such countries are not available. Eight countries do not have a GEF focal point; it is uncertain how such countries would access a RAF allocation.

The RAF design mitigates some potentially skewed effects of the broad eligibility criteria. The *RAF document* (paragraph 26) specifies that “if an eligible country: (i) is not a Participant in the GEF; or (ii) has not previously received GEF resources in the focal area; or (iii) does not have any GPI data, then it will [...] have access to the group resources”. Given that many countries who need resources receive small allocations, it would be politically difficult to give big allocations to countries that are not even part of the GEF.

Participation. The Instrument specifies⁹² that any State member of the United Nations or of any of its specialized agencies may become a Participant in the GEF “by depositing with the Secretariat an instrument of participation”⁹³. There are currently ten eligible countries that are not GEF participants⁹⁴. This mainly affects Angola in biodiversity; with a high GBI and past allocation the country would have had an indicative allocation of US\$ 6.53 million dollars had the government signed and deposited the Instrument annex with the Secretariat.

The broad eligibility criteria add complexity to the system, and are not helpful in ensuring that GEF funds are provided in a focused manner. Issues related to the current eligibility structure include:

- **Small allocations.** Support and guidance from COP have not been helpful or timely in determining eligibility. The broad eligibility criteria from the conventions mean that the GEF has more recipient countries than any other donor. The bilateral donors work with fewer countries, ranging from Portugal (20) to the EC (144)⁹⁵. The IFIs with regional focus, ADF, AfDF, and IDB, each works with fewer than 50 partners. The large number of recipients, coupled with limited resources, spreads the GEF funds relatively thin.

IFAD is the agency that is closest to GEF in its coverage of countries, including a large number of small countries that traditionally accessed funds only infrequently. IFAD also resembles GEF in being a special purpose agency with a focused mandate rather than a general development agency. IFAD has coped with this challenge by quick iterative reallocations to countries with effective demand.

- **Unused funds.** To the extent that new countries to the GEF will not make use of their potential allocations, this holds up funds that could have been made available to other recipients for global environmental benefits. Questions arise whether higher-income countries need the GEF funding, and how the incremental cost principle would relate to GEF support in countries without much ODA. These countries are mainly in the group allocation, and as such are not assigned any specific amount. It would, however, be easier to manage the group allocation with clearer information on how many and which of the 115 and 93 countries would realistically want to access funds.
- **Managerial and information issues.** The Secretariat, with information from World Bank and UNDP, manages the eligibility list, and discloses this in the RAF documents. Apart from the RAF documents on the web, eligibility is not clearly announced to recipients. It is not clear that capacity exists to ensure individual notification to countries of eligibility, of changes in eligibility, or reasons.
- **Barrier to access.** Countries find it increasingly difficult to understand the eligibility of the various funds, focal areas, and the various funding windows supported by GEF. Eligibility is likely to become more complex with an expansion of the RAF, with 119 countries potentially eligible in POPs, 148 in land degradation and in ozone, 112 in biosafety; and 150 in international waters.

- **Data limitations.** The broad eligibility poses challenges in obtaining index data for all the countries. Where standard data are not available, other sources are used. Countries which have not worked with the World Bank or had past historical allocation mostly lack performance data for the GEF Performance Index (GPI) and therefore their allocation cannot be fully computed.

c. [Data coverage and gaps](#)

Based on the eligible countries, the indices must be calculated for 161 countries in climate change and 150 in biodiversity, respectively. To determine who obtains what amounts from the GEF Trust Fund under the RAF, the Secretariat (a) requests and obtains underlying data for the indicators, with the support to the World Bank DEC department, (b) use the indicator data in the RAF formula to calculate the country scores; and (c) apply other RAF design rules to arrive at each country allocation.

The country coverage of data for the global environmental benefits (GBI) is good. Virtually all countries have data for the indicators. In the **biodiversity** focal area, no missing value is found for the GBI-BIO indicators for 150 eligible countries. In **climate change**, 157 (of 161) have the full set of climate change indicator data. The four (of 161) countries without GBI-CC computed have no GHG emissions or energy intensity ratio data⁹⁶ and are included in the climate change group allocation. A special case, four countries have their GBI in climate change computed from GHG data only. These are generally small states (Nauru, Cook Islands, Niue, Maldives). An additional thirteen countries, including post-conflict countries (Afghanistan, Libya, Serbia and Montenegro; Bosnia and Herzegovina) do not have their GBI calculated because they never participated in GEF or received GEF resources previously. When data on improvement in energy intensity cannot be established, the energy intensity ratio is set at neutral (factor set to one), which affects more the countries with high GHG levels⁹⁷.

The country coverage for performance (GPI) is more mixed. In performance, the majority of countries (115, 70% of 161) have data for *all* the four indicators in performance (CEPIA and BFI; and two indicators in the PPI) as envisaged in the RAF allocation formula. If data for one indicator is missing, the *RAF document* provides for use of the other GPI indicators or substitute indicators. See the use of different indicators for countries in Technical Paper #1).

Used as a substitute indicator for the CPIA, the International Fund for Agricultural Development (IFAD) develops an indicator annually from its Sectoral Policy and Institutional Assessment of the rural development sector for each of its client countries. While it may be unusual to use different sources in the same index, the number of countries missing the CPIA was considered too large and too important for the GEF not to cover (used for ten countries).

The fact that missing data is mostly noted in performance may be considered unfortunate for a performance-based allocation system. However, the main cause of data gaps is not specific weaknesses in coverage of the respective data sources, but the fact that GEF eligibility is broader than what is common for development assistance. A total of 46 countries (30% of 161) have some data gaps in performance. Several are crisis or post-conflict countries, small countries and SIDS. Others are high-income countries or countries without ODA.

In most cases of a country missing the full indices data, the allocation would have stayed the same if the needed data were available for the country. Countries that never had any GEF projects do not have the portfolio index (PPI). Many of the countries without a GEF portfolio are also not traditional World Bank recipients and therefore do not have CEPIA or BFI either. The RAF design ensures that countries without complete performance data will be part of the group allocation. Seven countries in biodiversity (of 150, 4.6%) do not have GPI computed. In the climate change focal area, the number of countries without the

GPI increases to 17 (of 161, 10.5%). Details of data coverage per country are included in the Technical Paper #9 on data sources.

c. [Formula calculation of scores](#)

Once eligibility and data availability is ascertained, the data for the indices is compiled. This is a relatively time-consuming process that can take 4-6 months, depending on data gaps, eligibility changes and assessment of available resources. Many more steps are involved when data is missing, whereby scores for many countries are calculated separately.

The MTR found four countries to have erroneous data values in the calculation⁹⁸, whereby ICR ratings values had changed from blank (i.e. missing) in the spreadsheet to zero (below the possible range of 1-5). These were group countries and the miscalculation only affected one country with individual allocation that should have had 0.76M US\$ more. This was rectified in the reallocation. In working with such large numbers and complex data sets, such problems are not uncommon. It does however, pose risks for the future, as only one person in the Secretariat has had access to the data and the ability to calculate and apply the formula⁹⁹. There has been no system of staff back-up or verification for the application and maintenance for a system that the GEF is now dependent on.

The continuity and ‘audit trail’ in underlying data leaves somewhat to be desired. On the performance side, the internal original performance data was not systematically recorded for the initial allocation, namely ICRs and PIRs. This meant that for the reallocation, a new assessment of relevant ICR ratings was made for the last ten years, rather than updating the initial assessment on a rolling basis. As there is some judgment in determining which of the many ICRs for a country are relevant to the environment, a consistent set of ICRs for each country would be preferable.

The GEF is also dependent on the availability of the raw data, and the WB-DEC support on the GBI analysis, which in turn is dependent on one person and for which there were challenges in continuity¹⁰⁰. Apart from the inter-office agreement with DEC, no formal working arrangements were established with the sources for cooperation on data. From the perspective of the organizations providing data, their data are global public goods (except for the World Bank CEPIA and BFI), for which they would like to see active application and do not typically charge at present. Sources of data are however, interested in due credit for their work and in formalizing the arrangement with the GEF. Some would appreciate support for the data provision. Some of the data sources whose information was downloaded, were not aware of its use for the GEF index.

3.5 Council Decisions and Implementation

Based on the Council decisions and the process described above, this section addresses the key question #4: *Has the RAF been implemented in accordance with Council decisions?* Decisions made are compiled in Technical Paper #1.

In general, the RAF has been implemented in full accordance with Council decisions on the intended actions to launch and operate the RAF. The GEF Secretariat and Agencies have implemented the RAF as instructed, including on consultation with countries; involvement of the Executing Agencies; outreach and communications with the Conventions; and monitoring the implementation of RAF. The *RAF document* has been fully implemented; with application of the formula and additional design rules, and the reallocation. Minor exceptions were made to the 50% restriction on country resource use before GEF-4 midpoint.

The legal opinion on the RAF from the GEF legal counsel (2004) concluded that GEF “there is no provision requiring or prohibiting a performance-based allocation system” in the GEF Instrument, and that Convention guidance has not implied any decisions having the effect of mandating or prohibiting a performance-based allocation¹⁰¹. This was also a conclusion of a review to assess whether the RAF is consistent or compatible with the conventions (Wiser 2007¹⁰²), although the review also noted some areas where attention to future impact of the RAF merit attention.

All decisions were not equally realistic or sufficient. The initial timeline set for the development of the RAF was not pragmatic, for which “implementation should be initiated immediately after a Council decision in May 2003” (after six months). Even without expectation of the political discussions to ensure, experience with other PBA systems, with more straight-forward needs than the GEF, should have indicated that such a system would not be operational after less than two years¹⁰³. Other agencies that adopted a PBA seem to have been able to do so more quickly, but they all use the similar ‘off-the-shelf’ needs component of population and GNI per capita.

The initial objectives were also overly ambitious, namely that the system should aim at “maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide”. It is difficult to see how such a system, for GEF recipients, would affect a world-wide scale. The goal of maximizing impact on the environment is likely somewhat more realistic.

While the Conventions have not provided specific guidance on the RAF, a number of reports have observed that “the guidance from some conventions has been very vague and without any prioritization” (Wiser 2007). In the third CBD review (2008) of the effectiveness of the financial mechanism, the independent evaluator recommended “The CBD COP providing clear, prioritized guidance including on funding requirements for the GEF in its role to support global benefits”¹⁰⁴.

The key principles established for the RAF are open to interpretation. It is therefore debatable to what extent the RAF has been implemented in accordance with these principles. A firm assessment of implementation is especially difficult for the principles assigned to the RAF, namely simplicity, transparency, pragmatism, cost-effectiveness, comprehensiveness, country drivenness, and equal opportunity for all recipient countries (November 2003 and May 2004). The actions taken in accordance with Council decisions do not necessarily lead to achievement of the objectives assigned to the RAF. Council asked, for example, for the system to be based on transparent assessments and to ensure that all member countries can be informed as to how allocation decisions are made. The RAF design, underlying indicators and process remain unclear to virtually all stakeholders.

Discussion of RAF conformity and compliance with guidance has focused on the indices and other design elements. Yet, it is not realistic to expect that all aspects relevant to the GEF can be reflected in indicators. Some issues are best addressed in implementation and not through indicators. The RAF does not require a link between the indices and how funds are spent. Countries are not obliged to prioritize areas for which they have received an allocation, nor are they constrained from funding areas *not* included in the indices. Limitations on how funds can be spent are established by the GEF focal area strategies, which are generally derived from convention guidance. This influences how issues can be addressed in the RAF, such as land use and land use change and forestry (LULUCF) and adaptation, and carbon capture and storage.

Since the Conventions have not provided explicit guidance on most of the issues possibly touched by RAF implementation, it cannot be said that the RAF is against such guidance. The RAF does in principle provide enough minimal funding to ensure the enabling activities and reports required by the COPs. The group allocation rules do not guarantee a minimum amount for any country. Any allocation is subject to

GEF project criteria and projects might not be approved. If the conventions now issue guidance on required enabling activities, the GEF Secretariat and the Council would have to amend those rules or obtain the funding in another manner.

Countries may have a RAF allocation at their disposal, and yet choose to spend it on other activities than the obligations to the conventions. It is not feasible for the GEF Secretariat or Agencies to pressure countries to prioritize projects in areas to which the country has signed as a Party to a convention. A larger issue is whether the funding is sufficient for all the different priorities.

4. DESIGN OF THE RAF

This chapter presents the structure and elements of the design of the RAF. The analysis of design draws on the Delphi peer expert study, statistical analysis, comparative review of other PBA systems, and expert interviews. Further details on data sources are available in a Technical Paper #2 and the Delphi study report (Technical Paper #5). All Delphi scores are on a range from 1 (low) to 10 (high).

As in other performance-based allocation arrangements, the GEF RAF is a rules-based system that uses a set of formulas to allocate funds. The formula contains two main components: “potential benefits and needs” and “performance”. The GEF measures *performance* through the GEF Performance Index (GPI) and *potential benefits and needs* (through the GEF Benefits Index (GBI) according to a country’s potential to generate global environmental benefits. The RAF is unique among PBA systems in its direct attention to environmental benefits in assessing “potential and needs”.

A GEF allocation is not an entitlement. A country may receive grants up to a maximum of its allocation during the four years of a particular replenishment period, provided the country submits project proposals through a GEF Agency to the satisfaction of the GEF. Many factors influence the level of the GEF allocation to a particular country. These factors include the number of eligible countries; the total amount of money available for grants in each focal area; and of course, the country’s scores on GBI and GPI. In the allocation process, specific rules aim to ensure that extreme allocation results are avoided, though ceilings, pooling and floors.

For each of the indices constituting the RAF design, this chapter addresses (a) the relevance and reliability of indicator data; (b) the related topic of substantive coverage and scope of the indicators; (c) balance and weights among elements as each indicator or index is applied; and (d) data gaps and opportunities for using new data sources.

4.1 The GEF Benefits Index (GBI)¹⁰⁵

The GEF Benefits Index measures the scope for producing global environmental benefits in a particular focal area in a given country. It is not designed to measure country intention, capacity or performance.

4.1.1 The GEF Benefits Index for Biodiversity (GBI-BIO)

The purpose of the GBI for biodiversity is simply “to measure the potential global benefits that can be realized from biodiversity related activities in a country”¹⁰⁶. It consists of two major parts.

First, the **terrestrial score** is weighed 80 percent in the index. For each country, it has four indicators, namely represented species, threatened species, represented ecoregions, and threatened ecoregions. The score is computed from the relative share of ecoregions of a country, called Country-Ecoregion-Components (CECs). Each CEC is scored both in terms of representation in the country, and the degree of threat to the ecoregion. The index measures six types of species found in the ecoregion, namely mammals, birds, amphibians, reptiles, vascular plants, and freshwater fish.

Second, the **marine score** is based solely on represented fish species. The marine score for a country is the sum of the credits from all of the marine species located in the territorial waters of the country¹⁰⁷. The marine score is weighted 20 percent in the GBI for biodiversity.

Issue 1: Reliability and relevance of data

The quality and comprehensiveness of the data are generally satisfactory. Participants in the Delphi expert study expressed strong support for the view that the GBI-BIO data are the most comprehensive and reliable available for the items covered. The indices use data sources from international organizations specialized in various aspects of biodiversity issues. The respective sources are considered as authoritative in their respective fields within the scientific community, and these international organizations mainly derive their raw data from the national level.

The RAF biodiversity index mainly focuses on the first of the three objectives of the Convention on Biological Diversity (CBD); conservation. Delphi experts felt that the emphasis on conservation was about right, but also indicated that the index's emphasis was insufficient regarding the two other objectives; sustainable use of biological resources and transfer of genetic resources across borders.

The GBI contains information on both ecoregions and species, with higher emphasis on the latter. The RAF index will inevitably reflect some weaknesses or gaps in underlying data, such as data on marine and freshwater species and habitats; the size of area and habitat complexity; information on arid ecosystems; incomplete mapping of species in some countries; and species migrating across borders and ecoregions. Areas not covered include for example habitats, ecosystem services, cultural significance of biodiversity, and sustainable livelihoods and use. While these are among many factors leading to the threatened or protected status of species and ecosystems, they are also intrinsically difficult to measure.

Statistical analysis found a strong relationship between the separate indicators and both the final index score and the allocations for countries. No indicator dominates the index more than others, as the statistical correlation between each indicator; the GBI score and the allocation is relatively high (see statistical annex).

Issue 2: Coverage in the index

Delphi participants support the view that that data used in the GBI_{BIO} should be expanded to incorporate a broader range of taxa. There is strong expert agreement about the desirability of including marine invertebrates; sponges, jellyfish, corals, mollusks, crabs, shrimp, and lobsters (with an average of 8.5 on the Delphi score of 1-10), but moderate support for expansion to terrestrial invertebrates (average 6).

There was no agreement among Delphi participants to amend the GBI_{BIO} to give greater weight to **biosafety**. The average response was 4.4, but experts were divided in their opinions. It was pointed out that it was difficult to envision how one would measure this issue. As per the COP-MOP Decision BS-III/14, national data is not yet broadly available.

There was also a disinclination to amend the GBI_{BIO} to give greater weight to **agrobiodiversity**. The scientific community has not yet reached consensus on this issue; 32% indicated strong disagreement. The COP 9 Decision IX/1 (May 2008) invited "Parties and other Governments and relevant organizations to finance and undertake research as appropriate to further develop and apply methods and techniques for assessing and monitoring the status and trends of agricultural biodiversity...".

The index does not cover carbon sequestration and other ecosystem system values¹⁰⁸ or sinks of ecosystems. Carbon pools can be forest biomass, wood products and soils. The GEF mandate covers desertification, biodiversity loss, and climate change, for which issues and policies are strongly interlinked, rendering measurement difficult. If sinks were included, a country with a high forest sequestration would score higher in biodiversity, while its net GHG emissions under the RAF's current GBI for climate change would decrease and it would score lower in climate change.

Issue 3: Balance in the Index of Terrestrial versus Marine Biodiversity

The main concern on weights relates to the fact that RAF gives a country's **terrestrial** biodiversity a weight of 0.8 and its **marine** biodiversity score a weight of 0.2. The initial design decision on these weights was mainly political, and was partly based on the uncertainties related to marine data. There is no scientific model that indicates the right balance, as data for the two ecosystems are not comparable.

Delphi experts indicated moderate support for the view that marine biodiversity should be given more weight. Half of the 22 participants responding to this question gave numerical responses of 7 or more, indicating that the weight of terrestrial biodiversity was too high. There was strong agreement that *threatened/endangered status* of species and ecosystems should be treated the same way for marine biodiversity as terrestrial biodiversity. There was less agreement about the feasibility of doing so.

Decisions on marine-terrestrial weights mostly affect small island developing states (35, of which 26 are in the group allocation), countries with a large Exclusive Economic Zone (EEZ); *and* on the other side of the spectrum, landlocked countries (35, of which 26 are in the group allocation) would be scored on their terrestrial component only. The mid-term review conducted simulation of the effects of changes in the marine weight. Of the 36 small island developing states, seven now have individual biodiversity allocations. The simulation demonstrated that a 50-50 weight with the current data would bring five SIDS up to individual allocations, while seven countries (including one SIDS and four landlocked countries) would move from individual to group allocations, and for SIDS currently receiving individual allocations, amounts would increase for five and decrease for two countries. Other special categories (LDCs; landlocked countries; fragile states) would lose funds. Because countries currently with high individual allocations also have large marine resources, their GBI also increases when modifying the weights. The individual allocation countries currently have 85% of the accumulated marine score (and 89% of the accumulated terrestrial score).

Delphi biodiversity experts were uncertain about the availability of data for assessing threatened/endangered status of **marine species** (4.8 on a scale from 1-10, standard deviation 2.2), though some suggested exploring data on areal extent of coral reefs, mangrove areas, and seagrass beds. A study on the RAF marine biodiversity indicators (Fedder 2007¹⁰⁹) identified potential new data sources on marine biodiversity that could be relevant to the RAF and warrant monitoring for inclusion in the future.

Issue 4: Channeling resources for biodiversity to global environmental benefits

The RAF model does channel resources to countries with high global biodiversity environmental benefits, though not in exact proportion to GBI scores. The 57 indicative countries (i.e. with individual allocation) account for the bulk (88%) of GBI-BIO scores of the 150 eligible countries. These countries accumulate 75.3% of the total resources of one billion US\$ in the focal area. See table 1.

Table 1: Shares of GBI-BIO scores and funding in biodiversity

Country type in biodiversity	# of countries	Share of biodiversity Allocation	max alloc (m\$)	min alloc (M\$)	max GBI	min GBI	Share of total GBI	Share of Marine score	Share of Terrestrial score
Indicative	57	75%	63.2	3.5256	663.7	19.9	88%	85%	89%
Group allocation	93	15%	3.5255	1	70.5	0.1	12%	15%	11%

There was general agreement among Delphi biodiversity experts that the list of countries qualifying for individual funding was somewhat biased toward conservation. There was no Delphi consensus as to whether the GBI_{BIO} index should be amended to give greater weight to biodiversity **megadiversity**

countries or countries with biodiversity “hot spots” (median 3 on scale 1-10).¹¹⁰ The seventeen countries rich in biological diversity and associated traditional knowledge called Like Minded Megadiverse Countries (LMMC) accumulates a share of the biodiversity index of 59 %, and 46% of the total focal area funds. A recent report to the CBD noted that this amount is an increase of 76% from GEF-3¹¹¹.

The picture is more mixed for the biodiversity **hotspots**. Some hotspots fall within or across countries with individual allocations (Brazil; Chile, the Philippines, South Africa). Others cross borders between counties with individual and group allocations, often with the group allocation country being smaller in size (Brazil and Uruguay, and Caucasus, the Guinean Forests of West Africa etc.) Some hotspots fall squarely within group allocation countries. Of course, allocation to a country with biodiversity hotspots does not imply that GEF funds will be used for the hotspots as such.

4.1.2 GEF Benefits Index for Climate Change (GBICC)

The purpose of the GBI for climate change is “to measure the potential global benefits that can be realized from climate change mitigation activities in a country”. It consists of two major parts:

First, the index measures the country’s baseline **greenhouse gas (GHG) emissions** in tons of carbon equivalent, in the year 2000 from fossil fuel combustion and cement and the emission of other GHG gases. Second, the **carbon intensity** adjustment factor computed as the ratio of the carbon intensity in 1990 to the carbon intensity in 2000¹¹². The carbon intensity of a country measures the tons of carbon equivalent emitted by a country per unit of economic activity (GDP).

Issue 1: Reliability and relevance of data

First, **annual GHG emissions** was included as the main component in the index because of assumed lower abatement costs and greater demonstration effects in high emitting countries. Delphi climate change experts found annual GHG emissions moderately useful as a broad indicator of country mitigation potential.

Some concerns were raised in the Delphi study. Mitigation potential of a country is not only based on GHG emissions but also on the capacity of the country to implement mitigation measures. Annual GHG emissions do not take into account those countries that have low emissions and high forest cover, or if countries have seasonal high emissions. Emissions are subject to volatility of external shocks not related to mitigation. For certain major emitters, emissions profiles are changing fairly rapidly, but the index does not measure growth in emissions. As alternatives, emissions per capita may give a better view of mitigation potential, or marginal abatement cost curves directly if these can be estimated for the different countries.

Second, in the RAF index, countries’ change in **energy intensity** is used to complement the GHG emissions. Climate change experts in the Delphi study found use of energy intensity useful as an indicator of a country’s mitigation potential (average response 6.3).

Third, the energy intensity adjustment factor takes account of a country’s economic growth. The index is constructed with GNI per capita in such a way that a country can increase its GHG emissions at the same pace as the GNI growth without changing its GBI-CC score. Climate change Delphi experts found the GNI per capita useful (average 5.8). However, the energy intensity adjustment factor plays a small role in the index. The GHG emissions dominate the scores, as the energy intensity will only adjust the emissions in the index up or down, since the GBI-CC *multiplies* the GHG emissions with energy intensity change (rather than adding the two indicators with relative weights). A total of 75% of climate change allocations

go to the top 20% emitters, while the energy intensity adjustment factor is more evenly distributed, where the top 20% of countries that have improved their energy intensity.

Fourth, the RAF climate change index uses a **baseline year and a yearly range** for both the GHG emissions and the energy intensity; the year 2000 was used as baseline for the initial allocation. The UNFCCC indicated 1990 is as the base year (see Art. 4.2b). Delphi experts therefore found that the choice of the baseline years, the 10 year lag, and use of one base year, to be arbitrary. Experts disagree on the best year for measuring GHG emissions for the index. MTR simulation shows no significant allocation changes across GBI quintiles with different baseline year in 1990, 1995, or 2000)¹¹³.

Issue 2: Coverage of data in climate change

In the RAF climate change index, GHGs from **land use change** and from industrial non-CO2 emissions are not included. For many LDCs, non-energy GHG emissions dominate, so that the exclusion of land use, land-use change and forestry (LULUCF) emissions may distort the index. Distortion is especially the case for forest-rich countries such as Indonesia and Brazil.

Experts found the representation of **sources of GHGs** (e.g., fossil fuel use and cement production) adequate to some degree (average 5.2). Given that the index is supposed to be correlated with mitigation opportunities, the Delphi panel suggested that the index should consider the following alternative sources of GHGs in decreasing order of importance: (a) agriculture and land use; (b) deforestation and forest degradation; (c) gas flaring; (d) industrial non-CO2, to the extent that recent and robust data would become available.

About half (51%) of Delphi participants found that the **representation of gases** in the indices is adequate (average 6.0). Participants were of the view that all types of greenhouse gases and from all sources should be accounted for. On the other hand, most (60%) of the Delphi participants found efforts in the clean development mechanism (CDM) **and carbon trading** were not very relevant for a climate change index (average 6.0).

Issue 3: Balance of mitigation and adaptation in the climate change index

There is high agreement among experts and stakeholders that more should be done to balance funding between adaptation and mitigation in developing countries. A majority of Delphi experts agreed that more should be done to balance funding (average response 8.5). Experts agree, as do many stakeholders, on channeling most of funding for adaptation to the most vulnerable countries, paralleling the fact that most of the funds under the GBIcc go to mitigation in countries with more emissions.

There are mixed views on how best to address this, through using vulnerability broadly as a principle to guide funding under RAF; constructing a vulnerability index; or both, if possible. There were also mixed views as to the right grouping or definition of categories of vulnerable countries. Under the UNFCCC, there is no distinction among developing countries as far as support for adaptation costs from developed countries under Article 4.4 is concerned.

Ultimately, if no scientific evidence exists to determine the right balance, the balance is determined by strategic or political concerns. Historically, the GEF funding in climate change has focused on the bigger GHG emitters, based among other things on the assumption that projects could catalyze market change and broader impact in such countries. The RAF formula accepts this focus. GEF Trust Fund resources have not been used for dedicated adaptation projects until recently, through the Strategic Pilot for Adaptation.

Most developing countries are still in the process of preparing their GHG inventories based on 1997 IPCC guidelines. Coverage of GHG emissions in **national communications** to the UNFCCC is still too limited to cover all of the countries eligible for GEF support in a consistent manner. Issues include lack of capacity in countries to fully reporting GHG emissions, especially from LULUCF. Whereas stakeholders and experts indicated areas where improvements are needed to capture the full range of issues related to climate change mitigation and **adaptation**, it is less certain if data would be available for inclusion in an index. Forty seven percent of Delphi respondents did not know of any measures relating to human **vulnerability or social impacts** that should be reflected in the climate change indices, or in another index or form of measurement. Future data may emerge from the Nairobi work programme of the UNFCCC¹¹⁴.

Issue 4: Channeling resources for climate change to global environmental benefits

The RAF model does channel resources to countries with high global environmental benefits, though not in exact proportion to GBI scores. As can be seen in table 2, the GBI share increase outpaces the resource allocation share increase. The 46 indicative countries receive 75% of the total focal area resources, but cover 89% of the GBI environmental scores of the 161 eligible countries. Forty percent of the Delphi respondents indicated that the GBI-CC makes moderately good sense by giving larger funds to larger emitters and rewarding countries that reduce carbon intensity.

Table 2: Shares of GBI scores and funding in climate change

Allocation climate change type	# of countries	Share of Allocation	max alloc (m\$)	min alloc (m\$)	max GBI	min GBI	Share of GBI	baseline	co	nonco
indicative	46	75%	150	3.09	2413020.9	8402.8	89%	86%	87%	85%
group	115	15%	2.97	1	145958.4	1.0	11%	14%	13%	15%

A few (15%) of the respondents found the GBICC to make no sense, since the larger countries, and those that have already reduced their carbon emissions significantly, have enough experience and capacity regarding GHG mitigation and have generated enough momentum to carry on even with *less* GEF support.

Countries with high emissions intensity and low growth, such as countries in transition, are likely to have a higher mitigation potential. Some stakeholders have suggested that the index should concentrate resources in countries in the middle of the range of GHG emissions, not the highest emitters, since the latter most likely can afford projects and pay from their own resources for national consultations.

It was stated in the Delphi study that neither the overall size of **emissions** of a country, nor its economic growth, are reliable proxies to getting the most emission reductions for the money spent. Drawbacks of the formula include the focus on energy and industry.

About two-thirds of the experts in the Delphi Panel (62%) thought that there was too great a **concentration of funding** for climate allocated to too few countries (average 7.1, with 10 being “far too much”). But it is not obvious which countries should receive *more*, or *less*¹¹⁵. There was some degree of opinion among Delphi climate change participants that a more balanced distribution of GEF climate change funding would result in substantially greater GHG emissions mitigation (average 6.5, with 5 being “about the same”, and 10 being “substantially more”). Smaller countries may have less capacity to invest their own human and financial resources, and the small amounts allocated may be below a threshold to carry out meaningful projects. Delphi experts felt that a more balanced distribution would encourage action on mitigation in a wider number of countries.

Issue 5: Emerging new data and data gaps

The data for the climate change index is provided by the WRI's Climate Analysis Indicators Tool (CAIT). Delphi experts agreed with the use of the CAIT to a limited extent (average 4.6) over the inventories from national communications. Experts also thought the correlation between the WRI and national communications data was not strong, but no consensus emerged on which data to use. Future data should especially be sought on expanding country coverage for other gases; linkages between climate change mitigation and sustainable development; land use, land-use change and forestry (LULUCF) and Agriculture, Forestry and Other Land Uses (AFOLU).

4.2 The GEF Performance Index (GPI)

The likelihood of success of GEF projects and programs depends on, among other things, the capacity of countries' institutions to produce global environmental benefits. The purpose of the GEF Performance Index (GPI) is to "measure each country's capacity to successfully implement GEF programs and projects"¹¹⁶. The GPI is a quantitative measure of this capacity, combining data on:

- a. Government performance in relevant policy areas, measured by the Country Environmental Policy and Institutional Assessment Indicator (CEPIA),
- b. Quality of management in selected areas of the public sector, measured by the Broad Framework Indicator (BFI); and
- c. Quality of completed and ongoing environmental projects in the country, measured by the Portfolio Performance Indicator (PPI).

The Performance Index was a central part of the RAF from beginning, and perhaps the most controversial part (see Technical Paper #1). Interest in including country performance as a criterion for GEF allocations was derived from (a) a concern by Council members for the GEF to focus resources toward "high performing" countries; (b) the presence of an established practice of multilateral development banks; and (c) broad awareness of recent studies emphasizing importance of country policy environments in effectiveness of development assistance. By the time GEF Council discussions of the RAF began, a broad consensus had emerged that country policies and institutions do indeed "matter" for development results.

In the RAF formula, the GPI is a major element (with a weight of 1.0 as compared to the GBI weight of 0.8 for both biodiversity and climate change). At the same time, for technical reasons associated with measurement arrangements supporting the GPI, it is not a driving force in determining individual country ranks for allocations. In the biodiversity focal area, the first quintile (thirty countries) with the highest GPI ratings features thirteen with indicative allocations; while in climate change sixteen of thirty have indicative allocations¹¹⁷.

4.2.1 The CEPIA and the BFI

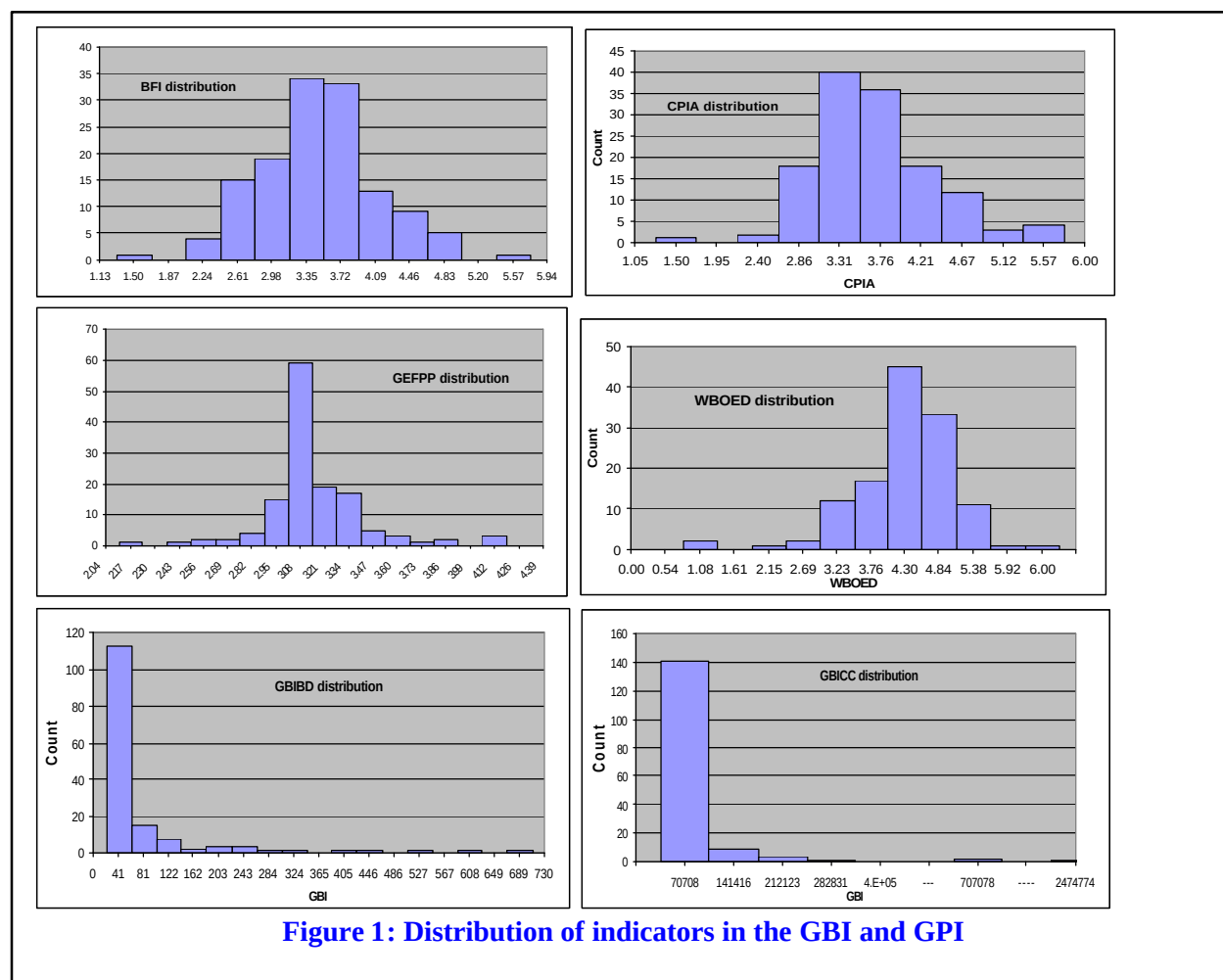
These two indicators are derived from the same assessment and data source, from the annual World Bank structured and internally reviewed assessments of country performance, now called the IDA Resource Allocation Index (IRAI); they are analyzed here together.

Issue 1: Relevance and reliability of data

Delphi experts support the overall structure and weight accorded to country policy and institutional performance, with an average response of 7.55 (on a 1-10 scale) regarding the extent to which the CEPIA and BFI make use of best practices in performance measurement. A correlation analysis of strength of association between the GPI and its components reinforces this, showing that the CEPIA

correlates with the GPI at 0.99, while the correlations for the BFI and the PPI are 0.83 and 0.43, respectively.

While the possible **ratings** for the CEPIA and BFI for a given country range from 1.0 to 6.0, the actual range of scores is more limited in distribution than this. There is a long-standing tendency for ratings to hover considerably around the median, with most ratings in the “3” to “4” range. In the 2007 assessment, CEPIA scores for 75 IDA countries ranged from 2.0 to 4.5. This relatively narrow range of actual ratings has the effect of reducing the influence of these indicators on resulting allocations; diminishing the diagnostic power of the indicator, and indicating that methodology improvement may not make a notable difference to scores. In fact, as seen in **Figure 1**, the performance indicators tend to cluster around a few ratings in the mid-range of the scale, contrasting with the skewed distribution of the GBI scores.



The CEPIA aims to “assess the extent to which environmental policies foster the protection and sustainable use of natural resources and the management of pollution”¹¹⁸. Data for this indicator are obtained from an IDA indicator called “Policies and Institutions for Environmental Sustainability” in six policy areas (air pollution; water pollution; solid and hazardous waste; ecosystem conservation and biodiversity protection; marine and coastal resources; and freshwater resources and commercial natural resources).¹¹⁹ The relevance of the indicator’s substantive coverage to biodiversity is high, but fight against pollution is not the primary GEF mandate. The indicator does not explicitly relate to the GEF mandate within climate change.

Many dimensions of environmental policy are bundled together in the narrative criteria used to guide scoring. The description covers a good deal of substantive ground, but the diagnostic value of a summary rating of this kind may be limited, since specificity regarding the applicable environment sub-sectors is lacking.

The quality of public sector management is gauged through the **Broad Framework Indicator (BFI)**, which carries a weight of 20 percent in the GPI. It is based on the average value for five indicators included under the “Public Sector Management and Institutions” cluster in the IDA CPIA: property rights and rule-based governance; quality of budgetary and financial management; efficiency of revenue mobilization; quality of public administration; and transparency, accountability, and corruption in the public sector. The Broad Framework Indicator rating is a simple average of scores for five indicators. An internal assessment by the World Bank in 2006 found that the BFI is “a sound index” for measuring governance to support IDA’s resource allocation system.¹²⁰

If the CEPIA and BFI data are not available for a country, a summary score from the Rural Sector Assessment Indicators developed by **IFAD** is used. This group of indicators covers five thematic clusters, and was used for six climate change and seven biodiversity countries in the RAF allocation: (a) Strengthening the capacity of the rural poor and their organizations; (b) Improving equitable access to productive natural resources and technology; (c) Increasing access to financial services and markets; (d) Gender issues; and (e) Public resources management and accountability. While these themes may be especially relevant to assessing the health of the rural sector in developing countries, they feature limited or unclear relevance to the quality of environmental policies.

Issue 2: Coverage

The substantive coverage in the CEPIA indicator appears good: Policies in the areas of air pollution, water pollution, solid and hazardous waste, ecosystem conservation and biodiversity protection, marine and coastal resources, freshwater resources and commercial natural resources are given separate sub-scores as this criterion’s rating is created. In the end, policy status is rated jointly for both pollution and resource issues.

Delphi performance experts did not reflect a consensus on whether there are other available indicators that should be considered for use within the CEPIA or the BFI (average 4.0 on 1-10 scale). Several remaining indicators from IDA’s CPIA (IRAI) are *not* included in the overall Performance Index, including Cluster A: Economic Management (three indicators); B. Structural Policies (three indicators); and C. Policies for Social Inclusion/Equity (four indicators). As the environmental issues are concentrated in the CEPIA indicator, the others do not seem to have high relevance to the GEF mandate.

Issue 3: Balance and Weight

The CEPIA is given a weight of 70 percent in the overall GPI; this means that the numerical value of data for this indicator is multiplied by 0.7 to produce its resulting value for the GPI. Among the three components, the CEPIA “counts for the most” in determining the overall value of the GPI.

Within the GPI, 90% of the formula weight is accorded to country policy and institutional performance. This weighting arises from the view that the quality of policies and institutions is crucial to the success of GEF objectives. Delphi participants find that the CEPIA and BFI make use of best practices in performance measurement (7.55 average response). Experts were somewhat less convinced about the exact weight of 90% accorded to country policy and institutional performance within the GPI (6.10 average response).

4.2.2 The Portfolio Performance Indicator (GBI)

The third component of the GBI performance Index is the **Portfolio Performance Indicator (GBI)**, which measures the quality of both *ongoing* and *closed* projects. Data for the GBI are derived in an equally weighted split between (a) an indicator summarizing ratings contained in Project Implementation Reviews (PIRs) of GBI projects and (b) an indicator that summarizes ratings by the World Bank Independent Evaluation Group (IEG) of Implementation Completion Reports (ICRs) from World Bank environment-related projects in the country. The GBI counts for 10 percent of the calculation of the GBI.

Issue 1: Relevance and Reliability

In principle, an indicator that captures performance of projects would be highly relevant to assessment of the capacity to produce global environmental benefits through GBI projects. Both the GBI and the GBI are based on self-assessments by project management, but internal verification processes have been established to ensure consistency in ratings.

There was a high level of support of Delphi performance experts for the proposition that GBI scores and World Bank project implementation scores are likely to be a useful partial measure of a country's ability to successfully implement GBI projects (average 7.11 for the GBI and 6.22 for the World Bank GBI scores). The GBI is highly relevant in that it rates GBI projects only, implemented by all Agencies, for all GBI projects, in all focal areas, going back the last ten years. The long time horizon means, however, that the performance being assessed is relatively dated.

The GBI rating covers environmental projects, whether funded by GBI or not, implemented by the World Bank. The classification of "environmental" is quite broad, and the decision of which to projects to include is based on judgment by the GBI Secretariat. On the other hand, experts interviewed have argued that for portfolio and project management, the broader the coverage the better, as a country's ability to manage projects is relatively consistent whatever the sector.

The GBI does not cover terminal evaluations from Agencies other than the GBI. The number of completed GBI projects with verified outcome ratings has increased since 2006 and potentially evaluations from other GBI Agencies is could be included in the next version of the GBI.

A major concern regarding portfolio indicators for performance-based allocation systems is the **small portfolio** problem. Many countries do not have enough environmental projects ongoing to allow for statistical stability in measurement of their quality. Some GBI systems use various methods of "smoothing" data (ten-year moving averages of ratings, for example) to address this problem. The GBI summarizes data for all projects implemented in a country over ten years. This helps but does not fully address the challenge faced by countries with small portfolios. For the PIRs, 28 countries have only one project rated; only eight countries have more than ten different projects rated. The coverage is better for the ICRs, for which 59 countries have ratings for more than ten projects

To overcome the bias of smaller portfolio and provide stability, the GBI covers ratings over the last ten years. Delphi experts did not reach consensus whether to shorten this period (average 4.45). GBI ratings cover yearly ratings for the same projects, though it is relatively rare that there are major fluctuations in ratings for one project over time. On average, PIRs give ratings 0.83 points higher than those given by the Evaluation Office.

Another approach to counter bias is the inclusion of several ratings. For the GBI, both development objective (DO) and implementation progress (IP) are rated. The ICRs may contain many ratings¹²¹, but

only one is used in the index, namely for the overall outcome. Terminal evaluations can be made available some time after project completion, causing the resulting indicator to be a measure of past performance. On average, there is a delay in submission of the final evaluations to the Evaluation Office of 7.9 months (APR 2007).

Issue 2: Coverage of issues in the GBI

The PIRs and the ICRs assess, among other things, the quality of the implementing organization in reaching planned project accomplishments. In the case of GBI projects, this organization is a GBI agency. Historically, governments have executed 70% of GBI fullsize projects (FSPs) and 36% of medium-size projects (MSPs) (Source: Joint evaluation), and in most cases the government also plays a role in projects executed by GBI and private sector partners. For projects managed by foundations, multilateral or bilateral entities (28% historically of FSPs, though many of these are global projects), government influence on the ability of a project to successfully meet its objectives or to make implementation progress may be indirect. To the extent that data are available for both Agency and country performance in the GBI, the mid-term review did not find that these ratings notably differed, or favored Agency performance over the borrower's.

Issue 3: Balance and Weight of Portfolio Performance

Within the GBI, a total weight of 10% is accorded to the Portfolio Performance Indicator (GBI). Delphi participants indicated general support for the inclusion of portfolio performance in the GBI although that support is not as strong as support for the GBI and GBI. There was neutral support for the current weighting of portfolio performance within the GBI, with an average response of 5.30, though some experts would support a higher weight for the GBI up to 30%. Statistical simulations were undertaken to change the GBI weight up to 30% while keeping constant other GBI ratios. The results in both focal areas show that the pattern of allocations is not significantly sensitive to increased GBI weight.

Issue 3: Channeling resources to high performing countries

The 57 countries with individual allocations in biodiversity accumulate 41% of the GBI scores and 75% of the funds, while the group allocation countries obtain 59% of the total GBI scores (see table below). In climate change, the shares are more spread; 35% versus 65% of GBI from individual and group allocation countries, respectively. Within the GBI for the first 20 highest ranked countries; eight out of twenty are indicative countries allocated with M\$169.27, and the others have higher GBI but lower GBI, and are allocated to the group. However, the high GBI indicative countries accumulate 16.9% of the total resources.

In general the countries with highest GBI are found in the group allocation, and the group allocation countries has more GBI scores collectively. The individual allocation countries spread across the quintiles described in table 3.

Table 3: Distribution of GBI and GBI scores across GBI quintiles

GBI Quintile	GBI	GBI %	Alloc M	Allocation %	Max GBI	Min GBI	GBI	GBI %
1	113.83	26.7%	\$296.99	33.00%	4.43	3.37	2366.42	30.99%
2	95.04	22.3%	\$246.54	27.39%	3.36	3.05	2011.54	26.34%
3	87.58	20.6%	\$152.95	16.99%	3.05	2.74	1180.36	15.46%
4	79.84	18.7%	\$94.55	10.51%	2.73	2.49	694.76	9.10%
5	49.72	11.7%	\$108.98	12.11%	2.49	1.27	1384.14	18.12%
Total	426.01	100.0%	\$900.00	100%	4.43	1.27	7637.20	100%

The GBI has a small range of 1-5, and its values spread more evenly across the recipient countries. The six countries with highest GBI score are all group allocation countries, mainly in Europe¹²². Some of the highest GBI score countries are fixed at one million US\$, some with low performance scores receive high allocations; and the rest is spread unevenly.

It is fair to say that the GBI channels resources to high GBI countries, but adjusted with their performance. However, the formula could provide encouragement for countries at the margin, such as a group allocation country with relatively high GBI that can increase its performance rating to be lifted out of the group, or for an indicative country to increase its country share of resource allocations. Countries with a high GBI are less sensitive to changes in performance. For example, China has considerable room to lower its performance effort to keep the ceiling allocation while still retaining 150 M\$ in climate change.

4.3 Other Design Elements

This section goes into further detail on specific design elements related to key questions on the indices: (a) weights, (b) flexibility and volatility, and (d) exclusions to the formula, together with floors and ceilings. Further information is covered in technical paper #4.

4.3.1 Weights in the RAF Formula

This section addresses the key questions on the weights of performance within the indices, and the possible impact on allocations if the weights in the allocation equation were different.

Definition and Importance of Weights

To apply a weight in an allocation formula is to use some numerical multiplier (or other coefficient) to data for a component in the formula in order to control its importance or influence in relation to other components. Elements given a relatively high weight contribute more to the calculation result than do elements given a lower weight¹²³.

There are two ways in which organizations have chosen to apply weights to factors in their PBAs. First, one way is to assign weights to different indicators and then *add* them up. The GEF's calculation of its Performance Index (GPI) is an example of this approach. The GPI is the sum of three different country scores, each with its own weight in the GPI formula, of 10 percent, 70 percent and 20 percent: **GPI = 0.1 PPI + 0.7 CEPIA + 0.2 BFI**. This is a common, simple approach. The IDB uses it throughout its PBA. Other organizations (AfDB, CDB, IDB, IFAD and the World Bank IDA) do not use it throughout the PBA, but they do tend to use it in calculating the performance component.

Second, an organization may assign weight is the use of *exponents* in a *multiplication* formula. Exponential weights encourage volatility in allocations. The overall GEF RAF formula is an example:

$$\text{Country Score} = \text{GBI}^{0.8} \times \text{GPI}^{1.0}$$

The GBI and GPI exponential weights are 1 for the performance index and 0.8 for the benefit index. The weight = 1 indicates no changes to any GPI values when applying the formula. Virtually all organizations that use PBAs, with the single exception of the IDB, apply this form of allocation formula. There seem to be two reasons why this rather complex mode of assigning weights is popular. First, it was the format of the pioneering allocation formula of the World Bank in the 1990s. Second, there is a common belief that using the exponents in a multiplication formula gives greater weight to performance. It is correct, in

general, that a larger exponent means a higher weight to that variable. Because of its exponential nature, however, it is not a straightforward link.

Simulation of Weights

In a multiplication formula, there are many things that affect the resulting pattern of country scores, with a different mix of variables with different exponents. The relationships between allocations and variables in such a formula are complex. The complexity of this type of formula, and common misunderstandings about how it works, can be serious arguments against it. With exponential weights, relatively minor changes in a country's score on that variable can radically affect its dollar allocation, particularly if there is a large exponent on a variable. Exponential weights and change in performance scores can be a rather explosive combination.

Because of its exponential nature, the effect of changing the weights differs greatly depending on which weight is *increased* or *decreased*. The mid-term review tested three scenarios using various modifications to the RAF formula:

- **Scenario A:** Increasing GPI weight from 0.5 to 4 (by small steps), while keeping the GBI weight constant at 0.8. In both focal areas, increasing the weight of performance would reduce the number of countries with indicative allocations, while increasing the maximum allocation to the group countries as well as the indicative countries. In biodiversity the rankings among top-scoring countries would change. The pattern is the same in both focal areas.
- **Scenario B: Keeping the GPI weight equal to 1.0, while decreasing GBI weight from 1.0 (by step = 0.1).** This case would have a much larger effect on the current pattern of allocations. As the GBI is applied below its current exponent, the number of countries changing from indicative to group allocations, or in the other direction, a few or more than a dozen, depending on the particular size of the GBI weight.
- **Scenario C: Neutral weight: both GBI and GPI with weight 1** (seen in column in table 7 above). This approach would reduce the number of countries with individual allocations from 46 to 35 in climate change, and from 57 to 44 in biodiversity. The top ranked country in biodiversity would get 22.6 US\$ million more than currently.

From these scenarios, it is clear that while changes in the relative weights of GBI and GPI can potentially produce significant shifts in country allocations, under the current RAF weights it is GBI and not GPI that is the driving force behind the distribution of allocations for both focal areas. The Delphi panel of experts indicated a positive (though not overwhelmingly positive) assessment on the appropriateness of the relative weights of the GBI and the GPI appropriate (average score of 6.25 of 10). There was recognition among participants on the panel that the weighting is a "judgment call".

4.3.2 Flexibility and Volatility in Allocations

This section addresses the key questions on how flexible the RAF formula is, how the scores and allocation fluctuate (volatility), and how the formula takes account of changes the underlying indicators.

Flexibility tools

In a lending or granting program, formula-based resource allocations must be balanced with effective demand from eligible member countries. Effective demand is partly a matter of a member government's interests and priorities and partly a matter of absorptive capacity. Since these vary, and since a program's impact will be significantly affected by the timely utilization of its resources, most organizations have

found it important to build flexibility, or readiness to adapt to changing circumstances, into their resource allocation frameworks. There are several ways in which this is done:

- **Reserves.** Organizations traditionally maintain a significant portion of their concessionary funds in an unallocated reserve. The use of reserve funds is subject to Board approval of specific projects. The IDB, for example, has a reserve of \$100 million.
- **Set-Asides.** Most organizations have set-asides of funds (taken out of the overall pot of available funds before the country-wise allocation is made) for special purposes. The special purposes include, for example, regional projects, emergency/disaster response, post-conflict or fragile states, or high priority public goods such as the control of AIDS. Funds set-aside are normally unrestricted geographically. The portion of funds set-aside varies from about 5% (for example, the IDA allocation for regional projects) to as much as 25% of the total concessionary funds being allocated (for example, Caribbean Development Bank (CDB) set-asides for regional projects and special purposes). The GEF RAF has a 10% exclusion of the climate change and biodiversity funds (including 5 % for global and regional activities and 5 % for cross-cutting issues, the SGP and capacity building)¹²⁴.
- **Reallocations.** If reallocations are sufficiently frequent they can make a major contribution to flexibility in two ways. First, the formal allocations can be done more frequently. World Bank (IDA) allocations are done annually, for example, rather than every two years. Second, a single allocation can have several iterations. That is, re-pooled funds of excess allocations are reallocated using the same performance-based formula as in the original allocation. This is approximately how IFAD conducted its 2006 allocation exercise. For the World Bank (IDA), in the third year of the replenishment period there is provision for a limited amount of additional ad hoc reallocation of funds, from specific low-demand countries to specific high-demand countries, as long as funds flow only from lower-performing countries to higher-performing countries.
- **Special Pools of Funds.** GEF has a special pool of 15% of the total funds that it has available for biodiversity and climate change grants (the group allocation). Flexibility is enhanced by the fact that the maximum grant for any country in the pool is fixed by the highest allocation that any country in the pool would receive if they all received formula-based individual allocations. On the other hand, the pool has a rigid ceiling which cannot be changed, so that not all countries can access the maximum. The ADB also operates a pool of funds for its Pacific Region, which comprises small island states, at 4.5% of total funds. However there is no obvious gain in flexibility, since the allocation within the pool uses the standard ADB allocation formula resulting in individual allocations.
- **Front-Loading within a replenishment period.** In most PBAs, a country may seek access to funds which normally would be available only at a later time in the period. However most organizations do impose limits on front-loading. The rationale for limiting carry-forwards and carry-backs is to discourage governments from using a whole allocation and returning for more, or neglecting to use an allocation until the last minute. It is debatable, however, whether this rationale outweighs the practical difficulties that are created by constraints on how quickly an allocation can be drawn down, especially for small countries trying to put together a viable sized project in face of an already small allocation.

An example of provisions for front-loading is given by the World Bank (IDA), which, in year 1 of its rolling three-year allocation period, can increase an individual country's allocation by up to 30%. The first year share of a country's AfDB allocation can be increased by up to 50%, and the ADB first year allocation can be increased by different amounts depending on country size, up to 75% for the smallest countries. The MTR Delphi panel on performance indicated moderate to strong agreement

with enabling access to 100 % of country allocations to fund viable projects (average 7.27 on a 10-point scale).

- **Back-Loading within a Replenishment Period.** In general organizations do not limit back-loading (waiting till late in the replenishment period) until the final year. In the final year allocations that have not been taken up tend to be subject to reallocation.
- **Waivers, Exceptions and Ad Hoc Adjustments.** Information on waivers, exceptions and ad hoc adjustments to allocations is difficult to obtain. Nevertheless they seem to contribute substantially to the flexibility of resource allocation systems in some organizations. For example, actual amounts approved by the CDB for some countries, during Special Development Fund (SDF) 5, were in some instances twice the formal allocation or greater.
- **Final Year Adjustments.** Most organizations allow more flexible adjustments to allocations than usual in the final year of the replenishment period. For example, the World Bank (IDA) allows shifting of allocated monies from one country to another in the final year of the allocation period, on a paired case-by-case basis. Such case-by-case reallocations must be from a country with a lower performance score to a country to country with a higher performance score. The RAF includes no provision for final-year adjustments.

Flexibility in response to socioeconomic changes and crises

Another aspect of flexibility is a PBA's capacity to respond to special country circumstances that may be relevant to need or performance, such as significant economic downturns, natural disasters or extensive civil conflict. The allocation systems of various donor institutions vary in their approaches to such situations. In some, such as the RAF, there is no provision for such circumstances in the PBA itself. Historically, countries in conflict situations did not tend to access funding for GEF projects.

In other PBAs, particular approaches are applied, especially since other organizations normally have crisis and emergency support as part of their mandate. Fragile states receiving African Development Bank assistance, for example, may receive a "top-up" (increase) to their country allocations as fragile states have their own special window for support. In the ADB, set-asides for conflict and post-conflict situations account for 10-15% of the Asian Development Fund. The CBD uses its PBA system flexibly so as to respond to disasters, and also has a Vulnerability Index which takes into account both economic shocks and natural disasters. The World Bank has a separate assessment for post-conflict countries to replace the CPIA scores. This assessment, not used by the GEF, includes other indicators such as demobilization of militia. Then, as circumstances allow, a transition period begins using a mixture of the PCPIA and the CPIA.

Some have suggested that GEF develop a "rapid response mechanism" for addressing immediate effects of environmental disasters such as extended drought, flooding, and similar event.¹²⁵ It is recognized that lower-income countries tend not to have adequate systems of national response to environmental crises. The RAF does not feature a rapid response mechanism, but crises in various countries have nevertheless drawn project assistance from the GEF, sometimes via RAF funding. The GEF was able to quickly approve support to the 2008 China earthquake, for example¹²⁶.

Volatility

Currently, updates to the RAF are conducted every two years. The changes indicate that the RAF is more stable than volatile as currently designed, also influenced by the lack of new data for some biodiversity indicators. Simulations reveal that a simple one-year updating of performance data results in only minor

changes in the overall pattern of allocation, but for a relatively small number of countries such an update can be significant. Changes observed are (a) changes in the number of individual allocation countries and group allocation countries (a couple up and down); (b) small shifts in group ceilings; (c) decrease or increase in allocation of more than 10 percent (two countries only).

4.3.3 Group allocation, supplements, floors and ceilings

This section considers the key question of the impact on allocations of the various exclusions to the allocation formula based on indices, as well as the impact of the floors in allocations. (The 10% exclusion for the SGP and global and regional projects is discussed in technical paper #4.)

The Group Allocation and Targeted Supplement

Unusually among IFIs¹²⁷, the RAF created two categories of countries that are treated differently in regard to allocations. The RAF document specifies that the countries with highest score accumulating to 75% of all focal area funds will receive individual allocations. The remaining countries can access collective funds, amounting to total funds minus the exclusion (or set-aside) of 10% and minus the funds given to individual countries. Before the adjustment of 75% is made, each group country has a preliminary allocation that corresponds to its score from the RAF formula. This results in two categories of countries:

- Category 1: The indicative countries. This category of countries is defined by the smallest number of countries whose allocations sum to 75% of the funds available for the focal area. Each country in Category 1 received an individual allocation in GEF-4.¹²⁸
- Category 2: The group allocation countries; all countries not in Category 1.¹²⁹ A country in this category can access a maximum amount¹³⁰ that is equal to the highest individual allocation that any country in this group would have received if there had been no grouping.¹³¹ That is, all countries in category 2 have the same maximum amount that they can access (subject to a cash constraint for the whole group).

For each country whose *preliminary country allocation* is less than \$1 million, *The RAF document* specifies that these countries will be lifted up to 1M US\$, so that the country will have a minimum *adjusted allocation* of \$1 million. The 1 M US\$ becomes the floor. The additional amount needed to bring these countries up to 1 million US\$ is called a *targeted supplement*, in effect a kind of subsidy to these countries. In total it amounts to \$ 41.3 million, or only 2% of the resources for the two focal areas.

In **biodiversity**, of the 93 countries in group allocation, their preliminary allocations vary before they were pooled in the group funds:

- Fifty-three countries were allocated in a range between M\$ 1.02 and M\$ 3.53.
- Ten countries were set to the minimum allocation of one M\$, in accordance with paragraph 26 in *The RAF document*, if they lack historical allocations, are not GEF Participants, or lack basic data for the RAF indicators.
- Thirty countries were increased to the minimum allocation of one M\$ as their preliminary allocations were found below M\$ 1. The amount needed for the targeted supplement for the biodiversity group was M\$ 15.37.

In **climate change**, for the 115 countries in group allocation:

- 41 countries were allocated in a range between M\$ 1.03 and M\$ 2.97 in preliminary allocations.
- 33 countries were set to the minimum allocation of 1 M\$ due to paragraph 26 guidance in the *RAF document*.
- 41 countries were increased to the minimum allocation of 1 M\$ as their preliminary allocations were found below M\$1. The amount needed for the targeted supplement for the climate change group was M\$ 25.9.

One reason for the group allocation is to give each smaller country access to the possibility of a larger amount than it would have had otherwise. This was not an entitlement; but the possibility of the larger grant could provide Category 2 countries with greater flexibility and a greater incentive - the possibility of a grant from each focal area large enough for a substantial viable project. The group countries share around 15% of all the focal funds.

The *RAF document* is ambiguous in some important respects in its explanation of how the group country allocations are to be calculated¹³². Each country in the group allocation is limited in the funds for which it can apply for in two ways. First, it cannot apply for more than its standard maximum allocation. Second, there is a limit on the total funds available to the group. This situation seems unnecessarily complex. It is clear that the RAF needs simplification in regard to the group allocation for smaller countries.

The mid-term review Delphi panel on performance exhibited mixed viewpoints on these issues. Participant responses did not indicate a consensus on the advisability of exclusions, the group allocation and targeted supplements. In response to the question, “To what extent does the exclusion of some resources impair the achievement of GEF objectives?” the average rating was 4.47 out of a possible rating of 10. On the other hand, a number of participants expressed the view that the GEF has multiple objectives for these programs, and that not all of those objectives are intended to be met by the RAF.

Ceilings

This section considers whether a limit (ceiling) should be placed on the maximum allocation that a country can receive in a single allocation period. Ceilings are limits on country allocations, to ensure a more equal distribution of funds. The “capped” amounts are smaller than what would have been provided to the countries if they received their full allocation as per the formula.

In GEF-4, GEF limited its individual member countries to a maximum allocation of 10% of the total funds available in the biodiversity focal area, and 15% of the funds available in climate change. Other organizations impose ceilings as well. These ceilings are formulated in various ways. For example, IFAD has a ceiling of 5% of its total funds that can be allocated to any one country during a single replenishment period. The World Bank (IDA) limits the allocation of any individual country to a maximum of special drawing rights (SDR) 19.8 per capita. The ADB operates what it calls a “soft cap”, whereby blend countries whose individual allocation is greater than 14% of the total funds available receive only half of the allocation above that threshold. The African Development Bank has a maximum allocation of 10% of the total AfDB funds, while the IDB limits individual allocations to a maximum of US\$54 million per year. The CDB has a fixed allocation for Haiti.

Since ceilings are often used as methods to prevent especially large-population or low-income countries from being granted major proportions of the total available funding, some may argue that ceilings are a move away from maximizing potential benefits and performance.¹³³ On the other hand, there may be three reasons for establishing ceilings: (1) political equity and mandate concerns to protect the interests of small countries; (2) practical concerns about absorptive capacity in countries that may be given the largest allocations; and (3) concerns about marginal return to scale of investment.

Without a ceiling, a large country might receive such a large allocation as to crowd out access to resources by some smaller countries entirely – or at least reduce their allocations below the threshold size for a single viable project.¹³⁴ The choice of a ceiling depends on the degree to which allocations would be skewed towards large countries if the ceiling did not exist. In the GEF biodiversity focal area, for example, no country had received grants historically that exceeded about 4% of the total funds available.

Therefore there was no pressing need for a ceiling. Nevertheless a ceiling was set at 10%, with no effect on allocations.

In contrast, in the GEF climate change area, a single country (China) had historically received as much as 17% of total funds. A climate change ceiling of 15% of total funds was established. In this case the shift for the largest-allocation country was substantial; without the ceiling China would have received US\$ 224 million and with the ceiling it received US\$ 150 million, a reduction of 33 %.

Furthermore, the GEF ceiling is applied to *total* focal area funds including exclusion (1 billion US\$), not as a ceiling on *country* funds (900 million US\$), *after* the exclusion. If the latter were the case, China would have received 135M US\$ in climate change, not 150 M US\$.

Depending on their placement in the overall ranking and the proportion of the total funding they account for, different countries' sensitivity to the ceilings vary. For example, if the biodiversity ceiling had been set at 5% in GEF-4, the allocations of two countries (Brazil and Mexico) would have been reduced by 21% and 8% respectively. Since the increment would have been only 2.4% of the total monies available in the biodiversity resource envelope, the impact of the ceiling would have been small on countries other than the two directly affected.

In contrast, because a higher proportion of total funding in climate change goes to a few large-allocation countries, a ceiling of 5% in the climate change area would have resulted in a redistribution of about 28% of the total resources in this area. China's allocation would have fallen by 67%, India's by 33% and Russia's by 31%. As a secondary effect, five countries would have had individual allocations rather than being in the general pool of small countries. If the climate change ceiling for any individual country had been 10% of total funds, approximately 7.4% of total funds in this focal area would have been redistributed to other countries with modest but discernable affects on their allocations.

Establishing the right level of ceiling is ultimately a strategic decision, but can have notable effect on the distribution of funds. In simulations of alternative levels of country caps, it is found that *lower* ceilings mainly benefit the individual allocation counties. An argument for lowering ceilings in the climate change area is that, at present, the countries with largest GHG emissions are receiving large GEF funds. In addition, the current formula addresses only the potential costs of climate change mitigation without addressing adaptation to the effects of climate change. This suggests the possible utility of lower ceilings, perhaps combined with reforms in the nature of the allocation formula, in the climate change area. The current system is focused on the cost of adopting cleaner technologies for mitigation purposes, and not adapting to climate change.

Floors

Floors aim to secure countries a minimum amount, and avoid allocations of tiny amounts that are not practicable to program. The RAF document specifies that "for each country whose *preliminary country allocation* is less than \$1 million, a targeted supplement will be provided so that the country will have a minimum *adjusted allocation* of \$1 million". This is in effect a 'floor' in allocations. In practical application, this "supplement" becomes part of the group allocation pool, to be shared with other group countries that were under or above the 1M US\$ floor. There is no guaranteed minimum amount. In biodiversity, thirty countries are subject to the floor, in climate change 41 countries.

There are three different scenarios with regard to floors. First, if a floor is set lower than M\$1, the number of indicative countries falls but the number in the group allocation grows and the group ceiling becomes higher; and the overall allocation to the indicative countries increases. Second, in the extreme case without *any* floor, the allocations are equivalent to the country's preliminary allocation (not made public),

however small. No supplement is needed to raise the group countries to M\$1, and the 75% cutoff point moves up. The number of the indicative countries decreases from 57 to 51 in biodiversity and from 46 to 31 in climate change. Third, if a RAF floor in either focal area is set at a level higher than M\$1, the number of indicative countries increases, the group shrinks, the group ceiling falls and the overall allocation to the indicative countries decreases. For example, with a floor at 2 million US\$, the number of the indicative countries would rise to 75 in biodiversity and to 86 in climate change.

These changes may perhaps seem counterintuitive, in that if the floor were higher, the supplementary funding needed would normally increase and there would be less money for individual country allocations. The pattern above is mainly because of the rule that 75% of resources go to indicative allocations for the top-scored countries. The more funds available, the more funds go to the top 75%. The floors help distribute resources across countries more than would be the case without floors.

4.4 The RAF and Recognizing Country Achievements

Resource allocation systems like the RAF have several objectives. One is to address needs and potential benefits. Another is to recognize good performance. By “performance”¹³⁵ GEF means (a) project performance and (b) policy/institutional performance. Both are important; but the longer-term effects on policy/institutional performance are potentially the most important because the whole country would be affected by improved policies and institutions. Recognition of this is partly intended to place grants or loans where they are likely to be effective; and partly to provide an incentive for improved performance. This means favoring governments that have both the opportunity to produce global benefits and the capability of doing so. They have demonstrated that they can use funding well (measured by their portfolio performance, PPI), and that they have policies and institutions in place that ensure country-wide effectiveness (measured by their policy and institutional performance, CEPIA and BFI). The focus is on the size of each member country’s allocation.

In the longer term, the aim is to recognize that member countries have improved their practices so that their RAF scores improve and this improves their access to grants. The question is how much a country’s RAF score (and therefore its allocation) changes when its practices change. The incentive depends on how much recognition a country would realistically get when it has improved its practices, and also on the government understanding the link between its performance, its scores and the grants it receives.

Incentives are partly a matter of how much money is at stake. There is a wide range of RAF allocations. It is reasonable to assume that larger allocations receive more attention from their recipient governments and that larger GEF budgets would exert greater influence. A resource allocation framework can aim to reward performance at many levels – and with different timeframes - by national policies and institutions (CPIA and BFI), of ongoing projects (PPI) – and in producing global environmental benefits. The increases in GBI will naturally be more long-term, so that the shorter term perspective to improve scores is through the performance index.

The relative weight of “performance” in various allocation formulae

The effects of incentive weights are often not easy to understand because of the complexity of the allocation formulae used by MDBs and funds. Most organizations¹³⁶, including GEF, use a complex type of formula that contains several variables, each variable raised to a power (exponent). The weighted scores on the variables are multiplied together to give a country score and, in general, resources are allocated in proportion to country scores. Nevertheless, the effective weight of “performance” is difficult to calculate. It depends on the number of variables, the exponent on each, and the nature and variability of the underlying data. However, to simplify, a larger exponent indicates a greater weight to that variable.

The reasons for different weights in the allocation formulae

The World Bank (IDA) was the first of the IFIs and Funds to adopt a formal PBA, with a rules-based allocation formula. Its use dates back to 1977, although during the first decades it was confidential with access restricted to management. Towards the end of the 1990s the IDA Board became increasingly interested in two things – first, the importance of the recipient country’s policy and institutional context in determining whether aid would be effective; and, second, the importance of providing positive incentives when providing aid. From 1999 to 2007 all of the IFIs and Funds adopted the concept of a performance-based allocation system for concessionary funds, generally during replenishment negotiations. The designers of the new systems had several objectives in mind: To provide a strong incentive for improved performance; to avoid radical shifts in traditional levels of allocations; to harmonize approaches with other IFIs and Funds; and to express the special values and priorities of the particular organization.

Of course not all of these objectives can be maximized at the same time. The result was variations among the allocation formulae, but basic similarities as well. All formulae contain at least one “needs/potential” variable. In many cases population (POP)¹³⁷ and gross national income per capita (GNIPC) are surrogates for “need and potential”. The exponents on POP vary from about 0.6 to 1.0. The smaller exponents on POP are more advantageous to smaller countries. GEF’s choice of 0.8 for its “need/potential variable” (GBI) puts it squarely in the middle of this customary range for the “needs/potential” variable.

The weight given to performance

As noted above one cannot easily tell from a formula how much weight is given to performance because it requires complex calculations of elasticities. Other organizations, including IDA¹³⁸, IFAD and the regional banks, have generally sought to have about 60% of the variance of the country allocations determined by the performance variables in the formula. The exponents on variables in the GEF RAF formula are approximately in balance with this idea. Performance is more heavily weighted than “need/potential” but not by a lot.

With simulations of different weights of GPI, the RAF formula produces very different incentive effects in the two focal areas. In one (biodiversity) it produces modest but clear incentives; in climate change it does not (tables in statistical annex):

Climate change: The GEF climate change allocations are not very responsive to changes in country performance. Part of the reason for this is that China’s allocation does not change, since it is at the ceiling already. Delphi climate change experts agreed that the RAF did not provide adequate incentives for countries to improve their mitigation performance (average 4.4 on a scale 1-10, standard deviation 2.2).

- Scenario A. Increasing the weight of GBI. In climate change, the RAF formula results in a high concentration of allocated monies in the top fifth (quintile) of member countries (the top quintile by GBI has 76% of climate change funds). The bottom quintile was allocated only 3%. The resource concentration coefficient (RCC)¹³⁹ is 23.5 to 1. When increasing the GBI weight, nothing much happens. Climate change resources are already very concentrated in the top fifth of countries.
- Scenario B. Increasing the weight of GPI. The resource allocations for climate change are not much sensitive to changes in country performance unless the weight of GPI in the allocation formula is greatly increased. The pattern of allocations is not much affected if the weight of GPI is increased modestly by 10% seven times; the top quintile of countries by performance increases its share from 44% to 48%, and the resource concentration ratio rises from 11.2 to 13.2.

Biodiversity: In biodiversity, the incentives are positive.

- Scenario C. Increasing the weight of GBI. Biodiversity allocations are heavily concentrated in the top quintile and only modestly responsive to increases in the weight of GBI in the allocation formula. It

makes little difference to the three bottom quintiles, essentially because many countries in the bottom quintiles have “fixed allocations” at a minimum indicative \$1 million.

- Scenario D. Increasing the weight of GPI. In the biodiversity focal area, allocations are considerably less concentrated in the upper quintiles of performance than was the case with climate change. In biodiversity the resource concentration ratios are in the range 2.7 to 10.7, whereas in climate change they were in the range of about 10.6 to 18.1. Modest changes in the weight of GPI make only a small difference to allocations. Larger changes to the weight of performance do accumulate to substantial differences.

In summary, incentives in the climate change area need improvement. Although the format of the allocation formula for GBI and GPI is the same for climate change and biodiversity the incentives provided to countries in each focal area are different in some respects. In climate change, where one might have expected the greatest scope for incentives because there is wide scope for policy interventions to lessen emissions, the incentive effects of the allocation formula are weak or negative. In effect the largest emitters receive the largest grants, without a balancing reward for improvement.

The importance of portfolio performance (PPI)

All other organizations that use a performance-based allocation system have a formula that includes a measure of portfolio performance. However it has tended to be a controversial variable. Its weight varies a great deal from one formula to another, for example from 8% (IDA) to 35% (IFAD). The weight GEF gives to project performance is at the lower end of the range (10%).

There are arguments for and against a high weight for PPI. Some believe that PPI is worth considerable weight because it is a good indicator of likely performance under a new grant, is relatively objective, and provides an incentive for performing well on GEF projects. Others believe that it is unwise to give much weight to PPI because project performance is a result of many factors including donor behavior. Average project performance can also be somewhat open to manipulation. For example, consider a country that has only two projects, one well performing and one poorly performing. If it closes the poorly performing project early its portfolio now contains only the well performing project and its PPI score, say, doubles. Scores can be unstable.

Another problem with PPI is that scores can be *too* stable. If one takes a very long-term view (as GEF does with its ten year perspective on portfolio performance) then the PPI can be out-of-date and slow to change. If it is, there might be little incentive for a country to try to improve it.

Since the PPI is the only part of the performance factor that is partly based directly on GEF judgments (the other GPI performance data is lifted from other organizations that calculate their own scores for policy and performance assessments) there is perhaps an additional argument for giving more weight to PPI. However there is inevitably some tradeoff between stability (by being averaged over a long period of time) and responsiveness and predictive accuracy (by emphasizing recent performance).

The GBI variable

The formulae used by performance-based allocation systems all have two components. The first component measures “potential and needs”; this shows the scale of the problem to address. Countries that have many very poor people, or high carbon emissions, or a great deal of biodiversity that is under threat, receive a higher allocation. The scale of the problem determines the scale of funding.

The “scale” variable often includes measures of population and income (GNP per capita). It can also include other variables meant to signal the scale of the problem. For example, the CDB uses a measure of

vulnerability to natural disasters and external economic shocks (VUL) and the European Commission uses five variables to indicate the scale of “potential and needs”. These include POP, GNP_{per capita}, vulnerability, indebtedness and rating on the U.N. Human Development Index.

In its biodiversity focal area, GEF measures “potential and needs” by a combination of terrestrial data (represented and threatened species) and marine data (represented species). In its climate change area, GEF measures its scale variable, “potential and needs”, by data on greenhouse gas emissions¹⁴⁰. The variables in the allocation formula are measured on different scales. Some (GPI) are on a scale of 1 to 6, and some on much broader scales – say, 1 to millions (GBI-CC). This has no effect on the allocation outcomes as long as scoring is true to scale, because it is relative scores not absolute scores that determine the allocations among countries.

It is sometimes argued that the scale variable also indicates where the most cost effective opportunities are for intervention. However this confuses two ideas. *First*, that there are often diminishing returns to investment in any given set of potential investments. Any government faces a set of opportunities for carbon emission abatement, for example, and it is well advised to pursue those opportunities first that produce the greatest value for money. The second idea is that larger countries, having larger problems, will have better investment opportunities. This is not necessarily correct, as it is not possible to generalize by country size where the best marginal returns to investment in carbon emission abatement will be, for instance.

Ideally the “scale” variable should have a single weight. Best practice in this regard is the simple arithmetic weights used throughout their formula by the Inter-American Development Bank.¹⁴¹ The GEF comes close to best practice by having a single scale factor (GBI) and a single performance factor (GPI). Each has a weight and the two weights add to 100%. In the biodiversity focal area this works well. In the climate change focal area, however, the scale factor (greenhouse gas emissions) is multiplied by a performance factor (change in the carbon intensity of the economy) before a weight is applied. This makes it difficult to grasp just how much weight overall is being applied to the scale factor and how much to performance factors.

[Summary of findings on performance weights](#)

Delphi experts on performance were not confident about the impact of both the **CEPIA and the Broad Framework Indicator (BFI)** concerning the enabling environment in providing an incentive to countries to improve their performance in the future (average 4.6 for CEPIA and 4 for BFI, standard deviation 2.6 and 2.1 with 10 being ‘to a large extent’). In comments, participants cited the relatively modest level of GEF funding as one reason why the performance impact may not be great. Participants also mentioned the need for a clear difference in funding between well and less well performing countries; and the need to publicize performance results and use them in policy dialogues.

As with the CEPIA and the BFI, Delphi participants do not believe that either the **PIR** or the World Bank final project evaluation performance scores provide a strong incentive to improve performance in the future (average response 4.90 for PIRs, 4.20 for **ICRs**, on a scale 1-10). Operational focal points noted that ratings for regional projects would not be taken into account, of concern to those countries that have mainly benefited from regional GEF funds.

4.5 Synergies and inter-relationships

This section addresses the key question on “how the RAF provides opportunities for synergies between climate and biodiversity work”, or with other focal areas. Synergies occur when two or more discrete

influences or agents acting together create an effect greater than the separate effects of the individual agents¹⁴². Under the RAF, synergies can emerge both in the index design and in implementation.

There is no positive assessment of synergies before the RAF. So far, GEF has particularly pursued synergies through operational program 12: *Integrated ecosystem management*, which is intended to be *multifocal*, dealing with two or more focal areas; and *synergistic*, where achievement of benefits in one focal area leads to increased benefits in another.¹⁴³ A review of the GEF OP12: Integrated ecosystem management (IEM) by the GEF Evaluation Office (2005), concluded that “very few projects convincingly presented potential synergies among focal areas”. More than 52 percent of projects reviewed scored moderately unsatisfactory or less for synergy, while only a little over 25 percent scored satisfactory or better and only 5 percent scored highly satisfactory. A STAP review concurs that “...GEF project documents do not reveal evidence of a systematic approach to incorporating these [linkages] explicitly in project design”.

Synergies can be particularly important for smaller states. STAP “recognizes that the GEF has been active in SIDS through all of its focal areas. However, [...] the range of GEF-assisted activities may be more effective if they are better linked in concept and in project interventions, and through activities on the ground in any such State¹⁴⁴”.

There was no clear goal or assumption that the RAF would lead to synergies. By itself, RAF design does not ensure synergies. The RAF was not assigned goals to promote synergies, and by its firm distinction between climate change and biodiversity focal area funding, does not ease work between the two areas. Areas that are important for synergies, such as adaptation, carbon sequestration, CDM and biomass are not covered in RAF design. It is, however, not apparent how these aspects might be reflected in indices. For example, a country that loses carbon stocks through burning forest vegetation, would through the rationale of the RAF index merit more funding in climate change (higher emissions), but less in biodiversity (threat to ecosystems, reduced forest cover).

Projects funded under the RAF must correspond to the GEF-4 focal area strategies. These strategies do not explicitly aim for links or synergies. In the GEF-4 climate change focal area strategy, the only mention of links is the *Strategic Program 6: Management of Land Use, Land-Use Change and Forestry (LULUCF) as a Means to Protect Carbon Stocks and Reduce GHG Emissions*¹⁴⁵. In the biodiversity GEF-4 focal area strategy, links and synergies are not mentioned in the focal area strategy, but may occur in new strategic programs of sustainable forest management framework strategy for LULUCF and for biomass.

In implementation, synergies under GEF-4 are not linked directly to the RAF. Synergies are more likely to emerge from implementation. Under GEF-4, there has been a growth in programmatic approaches as well as multifocal approaches (see Technical Paper #4). In part multifocal projects are now established to overcome rigid walls between limited focal area funding under RAF. There are some examples of countries obliged to change the pipeline, whereby projects are ‘merged’ to fit allocations without synergy as a primary objective. At the biodiversity COP-9, the Africa representative pointed out that “multi-focal area funding [...] may constitute a risk for biodiversity in that such activities may be diluted”. A STAP review of PIFs in the November 2007 work program came across only one project (of 50), in international waters, that would develop novel forms of intervention and linkages to deliver global environmental benefits¹⁴⁶.

The GEF also puts emphasis on synergies with other activities at the country level, by financing incremental costs of global environmental benefits. The ‘principle’ of incremental cost was originally envisaged to ensure that GEF funds do not substitute for existing development finance. In response to a key evaluative question, the RAF design does not take the **actions of governments and other donors on**

global environmental benefits into account. Obviously, improvement in the RAF indices would stem from support and actions taken by a number of stakeholders, but this is not possible to capture in an index.

In implementation, the improved predictability of RAF funding may in principle facilitate joint programming, but the fixed amounts for smaller countries may also make this more challenging. In such cases, the RAF de facto fixes limits on the increment for the country to baseline that government and other donors finance. Delphi biodiversity experts supported the view that the costs of biodiversity conservation and/or sustainable use should be taken into account, to encourage greater conservation of biodiversity and/or sustainable use of biological resources. However, this does not indicate if more funds should be given to countries managing biodiversity efficiently; or to countries with high biodiversity but also high costs.

Few examples were found of key environmental donors being involved in RAF pipeline priority setting at the country level. The GEF does not have specific mechanisms, such as country programs, for donor or stakeholder consultation at national level. At the project level, there is some indication that the RAF puts more time pressure on project proponents and may make it more difficult to work with cofinancing and other development actions in a synergistic manner.

[Synergies between indices and programming](#)

Conceptually, it might also be possible to promote synergies between the index design and project design. Currently, there is no clear relationship between the information used to construct the GBI and the expected benefits of specific proposed projects in the focal area. Several different stakeholders indicated to the mid-term review that “allocations do not seem to translate into projects for which the money was allocated in the first place”. This is not helped by the fact that the underlying indicators data have not been disclosed. Other PBAs use their assessments for dialogue with select countries on relative weaknesses for attention in policy and programming. The lack of policy dialogue and the lack of knowledge of the GEF indicator data represent a lost opportunity for better targeting and effectiveness.

In biodiversity, most indicators provide a score on both representation and threat for ecosystems, mammals, birds, and amphibians. The underlying data has not been disclosed, so that it is not possible for countries and Agencies to develop projects that are consistent with the threat or representation for which the country obtained its allocation. (See the annex in Technical Paper #2 with the relative ranking of the top 25 countries per biodiversity RAF indicator.) Put simply, a country may derive much of its allocation from amphibians and their threat – yet spend its allocation on another species, or on other GEF priorities not directly related to this aspect. In climate change, the link is less obvious. However, most Delphi climate change experts (62%) thought that the RAF should provide more opportunities for interactions between climate and biodiversity work, within a context of sustainable development.

Biodiversity Delphi Participants were neutral on whether the information contained in a country’s GBI_{BIO} is relevant for guiding the selection of biodiversity projects (average 4.7 on a scale 1-10, standard deviation 1.8). Experts did not agree on the extent to which extent using indicative allocations influences the coherence of GEF biodiversity funding portfolios.

Obviously, there are different incentive structures in the RAF for indicative allocation and group allocation countries. Delphi participants were not convinced that using indicative allocations to guide funding decisions would affect the quality of project proposals. Indicative allocations may allow countries to plan better and give more leverage to negotiate, but if allocations are seen as entitlements, proponents may take less care in selecting and preparing proposals. The effect from crowding out of NGO and civil society proposals due to caps on funding is also a concern.

5. ALLOCATIONS AND UTILIZATIONS

This chapter presents an overview of RAF allocations, and analyzes to whom funds were allocated and reallocated at midpoint, and how these allocations compare to historical GEF support. The following section (5.2) addresses how resources are utilized and how the portfolio is evolving.

5.1 Country Allocations

In **biodiversity**, the initial allocation provided 57 countries in the biodiversity focal area with individual allocations. These 57 countries received 75.3% of the total focal area funds (a total of M\$753.2)¹⁴⁷. This was part of the negotiation of the RAF; the highest-ranked countries whose cumulative allocations equal 75 percent of the focal area resources receive country specific *indicative allocations*. The country with the highest ranking and allocation is Brazil with M\$63.2, while Afghanistan is the one with the lowest individual allocation, with M\$ 3.5. Of the 150 eligible countries, the 93 without indicative allocations receive a *group allocation* of M\$146.8.

In **climate change**, 115 countries (of 161 eligible countries), share the M\$148.6 in the group allocation. Of the 46 indicative countries (namely those receiving individual allocations), China is the top allocated country at the ceiling of 15% of climate change resources, with M\$150, and the last is Uganda with 3.09M US\$. **Table 4** shows the number of countries and allocations, without global and regional resources, as well as past resource utilization for the two categories (individual and group allocation).

Table 4: Allocation comparison*	BD RAF adj alloc		BD pilot-GEF 3		CC RAF adj alloc		CC pilot-GEF 3	
	#	M\$	#	M\$	#	M\$	#	M\$
Ind	57	753 (84%)	57	1347 (74%)	46	751(83%)	45	1557 (82%)
Grp	93	147 (16%)	90	481 (26%)	115	149 (17%)	98	331 (18%)
Total	150	900	147	1828	161	900	143	1888

* ind=individual allocation,, grp= group all, assuming adjusted allocation.

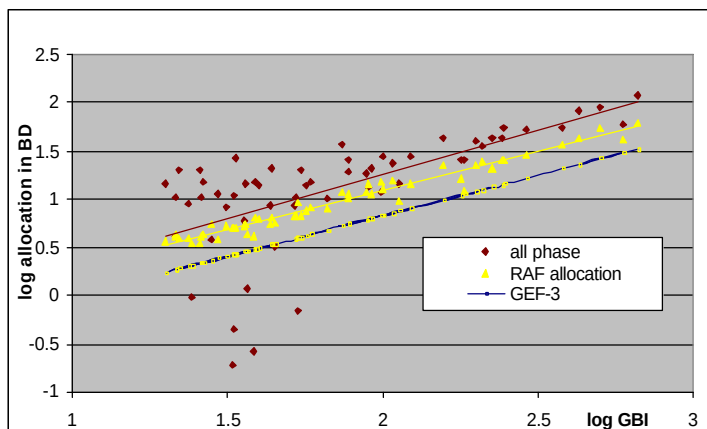
5.1.1 Distribution of RAF allocations

As a *mathematical* model, the RAF formula reflects some degree of consistency with GEF historical resource allocations, with most consistency for biodiversity individual allocation countries. As can be seen in the **Figure 2** scattergram, plotting individual country allocations in a logarithm yields close to parallel trendlines¹⁴⁸ between RAF, GEF-3 and historical allocations. (Since the group allocation does not provide funds in proportion to each country score, trend patterns cannot be analyzed per country in the same way.)

Allocations by region and constituency

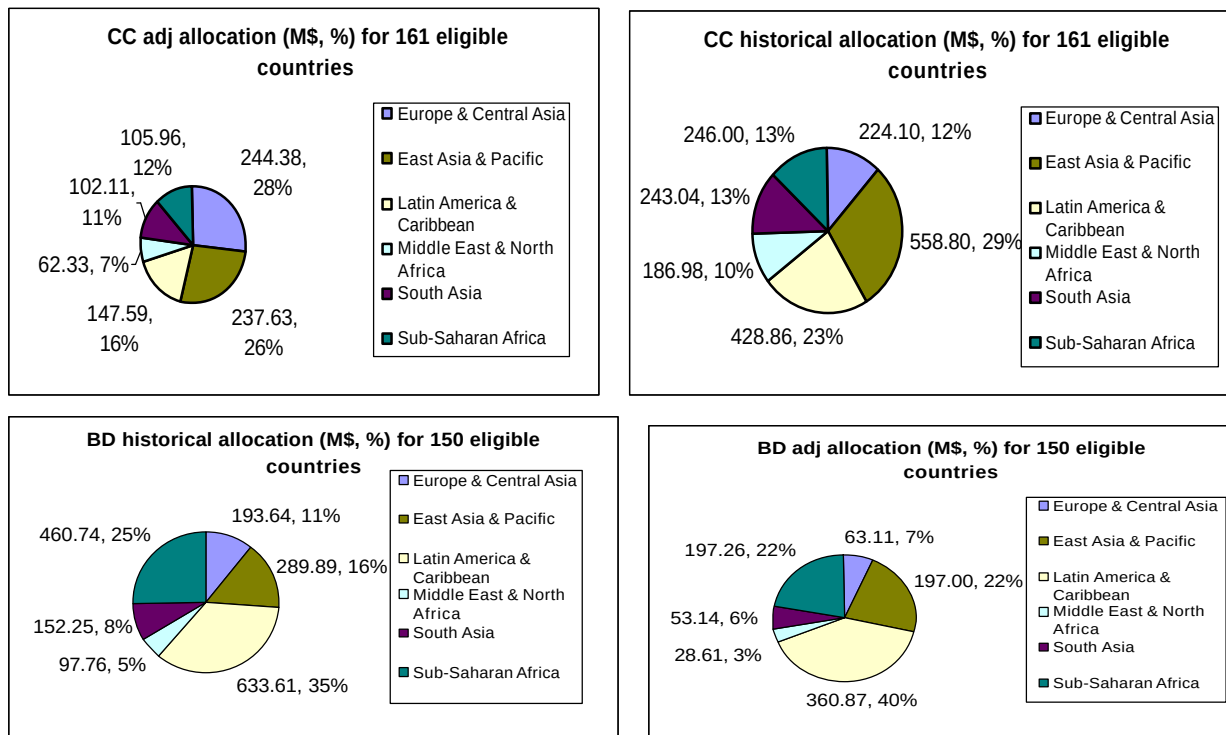
While the *overall* trend pattern matches the historical utilizations, it conceals differences for specific countries and regions, as it would be impossible for a formula to yield a perfect match. The largest allocations, by RAF type and region, have been assigned to individual climate change allocations in Europe and Asia, and individual biodiversity allocations in Latin America, as illustrated in **Figures 3 a-**

Figure 2: Logarithm match with past allocation



d. In climate change, Eastern Europe and the CIS have gained in relative share of climate change funds (from 12% to 28%), while Latin America and the Caribbean (LAC) region has decreased its share in climate change (from 23% to 16%) but gained in biodiversity.

Figures 3 a-d: Regional shares of resources: Historic and RAF



Individual allocation countries. There is some match between the share of resources historically and the RAF regionally and per constituency. among the countries with individual allocations, the increase in climate change Europe countries is offset by decrease in shares for LAC, Asia and North Africa and the Middle East (MENA) region. In biodiversity, the percentage changes are smaller for the individual countries, and most receive exactly or approximately the same shares of resources as in the past (see table in Technical Paper #3).

Group allocation countries. Although all the group countries are put together in one pool, they all had a score and an allocation which reflect their potential environmental benefits and performance. Once the countries are put in the group it is less certain what a country can access. **Table 5** shows two RAF scenarios, the first (column 1) is the RAF adjusted allocation (what these countries accumulate *before* they are placed in the group); and the second (column 2) is that they get exactly one million US\$ each, a lower total amount. The *likely* utilization will of course differ from these scenarios; the actual utilization in terms of approvals until GEF-4 midpoint (last two columns) is currently too low for a useful estimate.

Table 5: Group adjusted allocation by constituency in M US\$*	Allocation (M\$) for 115 group CC countries			Allocation (M\$) for 93 group SIDS countries			SIDS-4 utilization	
	Past	(1) SIDS(adj) 1M\$	(2) 1M\$	past	(1) SIDS(adj) 1M\$	(2) 1M\$	115 CC	93 SIDS
Latin America	43.58	14.83	9	38.27	6.52	3	1.84	2.41
Asia	43.98	12.94	10	65.75	16.83	8	0.00	2.04
Europe and CIS	48.06	21.61	15	108.51	26.21	23	0.99	14.20
East & South Africa	55.52	20.42	15	41.80	11.32	8	1.01	1.54
Caribbean	12.56	17.31	15	38.89	21.30	12	0.10	5.47
West & Central Africa	76.25	31.48	25	132.73	35.27	21	0.00	4.60
North Africa/Middle East	44.92	16.02	12	48.89	8.71	6	1.10	2.71
Pacific SIDS	6.12	14.00	14	6.26	20.63	12	1.08	6.26
Total	331.00	148.62	115	481.10	146.80	93	6.11	39.21

cation includes aggregate resources from 1990 to 2006 (16 years).

* RAF allocation includes assumed funds for 2006-10 (4 years).

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[Distribution by RAF allocation category](#)

The type of RAF allocation, namely the distinction between individual or group allocation, is now more important than the traditional regional distribution in shaping the resource pattern of GEF resources. New country “groups” are emerging with the introduction of the RAF, with a diverse mix of country categories. This mix influences regional cooperation and means that regions require diversified support. The world map of allocations illustrates the composite nature of the allocations (see chapter 1). The different RAF allocation types are:

1. Countries with **individual allocation in both focal areas** are “the big recipients” (31 countries, 19% of 161). This is the most diverse group regionally. These countries are found in Africa (22% of 31), Latin America and the Caribbean (29%); Asia (26%); and 26% in MENA and Europe together. However, the level of resources varies considerably, from 14 to 16 countries with allocations between 3-10 million US\$, and five countries with more than 50 M US\$. See **table 4** on allocation bands for details. These countries accumulate 549.7 M in biodiversity (61% of 900M allocated to countries) and 608.9 M US\$ (68% of 900M US\$) in climate change. Their historical shares are 54% of biodiversity and 73% of climate change resources.
2. The **biodiversity countries** have individual allocations in biodiversity and group allocation in climate change (26 countries, 16% of 161). They are evenly distributed between Africa (11) and Latin America (10). This category of countries also has the proportionately highest representation of SIDS (7 of 26). These countries accumulate 195.6 MUS\$ (22% of 900M US\$ allocated to countries) of GEF-4 biodiversity country funds, compared to 20% of biodiversity (and 6% of climate change) historical resources.
3. The **climate change countries** with individual allocations in climate change and group allocation in biodiversity (15 countries, 9%). This group is dominated by countries in the Europe and CIS region (10). These countries accumulate 142.5 M US\$ (16% of 900M US\$) in climate change, compared to 9% over past replenishment phases.
4. The **group allocation countries** in both focal areas are the largest category by far (78, 48% of all eligible countries). Of these, 30 (39%) are from Sub-Saharan Africa, and 30 countries (with four overlapping Africa) are SIDS. Another 12 are from Eastern Europe. Three countries in Latin America (Paraguay, El Salvador, and Uruguay); four countries in Asia and five countries in the MENA region are

part of the group allocation¹⁴⁹. Historically, they accessed 326.2M US\$ in climate change (share of 17%), and 485.9 M US\$ (share of 27%) in biodiversity.

5. Countries with **only climate change group allocation**, and no biodiversity allocation (11 countries, mainly new to the GEF, mainly in the Arab States (7)¹⁵⁰).

Allocations for special categories of countries

The regional distribution conceals specific needs and country circumstances. **The majority of countries in special circumstances - least developed, crisis, small states – for part of the group allocation¹⁵¹**. In climate change, 97% of the 35 Small Island Developing States (SIDS) receive group allocations; and 88% of 48 least developed countries (LDCs) are group allocation countries. The other country categories, 87% of fragile states; 88% of Heavily Indebted Poor Countries (HIPC); and 75% of landlocked countries, fall into the group allocation category in both focal areas (see table in chapter 1 and technical paper #3).

In biodiversity, more countries in special circumstances receive individual allocations, but the majority is still part of the group allocation (74% of SIDS; 60% of LDCs, HIPC and of landlocked countries; 73% of fragile states). Supporting data and definitions are available in the statistical annex.

The majority of RAF funding goes to countries with lower middle income low income per capita annually¹⁵². Of 161 countries, 33% (53) are lower middle income, and 32% (51) are low income, assuming that the 75 group allocation countries (of 107) in these two categories obtain 1 million US\$ (See **table 6**). High income countries have a GNI per capita of \$11,456 or more, with Singapore at the top among GEF eligible countries with 29,320 US\$ (2006). However, all of the 16 high-income¹⁵³ countries receive group allocations only. The relatively largest share of funds goes to upper middle income countries (in biodiversity 38% of funds to upper-middle income which is 23% of all countries, and in climate change 34% of funds to 25% of countries). Low income countries receive 23% of biodiversity funds and 25% of climate change funds to countries (and LDCs 17% and 9%), *assuming they access the equivalent to their adjusted allocation*.

Table 6: Allocations for income categories of countries*

Income category	161 countries in CC				150 countries in BD			
Income group	count	ind	grp	allocation M\$	count	ind	grp	allocation M\$
Upper middle income	37	17	20	339.24	36	14	22	304.78
Lower middle income	53	16	37	335.91	53	23	30	359.85
Low income	51	13	38	203.77	51	20	31	221.65
High income: OECD	1	0	1	1.00	1	0	1	2.89
High income: non-OECD	15	0	15	16.07	5	0	5	6.82
Not available	4	0	4	4.00	4	0	4	4.00
Total	161	46	115	900.00	150	57	93	900.0

* Assumes adjusted allocations for group countries.

5.1.2 Historic use of GEF resources

There are three ways of comparing historical with current allocations; (a) with relative *ranking* – whether the order is the same of what countries get, compared to others; (b) with *shares* of total allocations per country; and (c) actual *amounts* - whether the amount of funds that countries get is similar¹⁵⁴.

Comparative ranking

The RAF approximates the relative ranking of countries with the ranking of GEF historical allocations; more so for biodiversity than for climate change; and more so for the top ranked and the lower ranked countries. When comparing historical utilization to current RAF allocations, several patterns emerge.

First, there is a relatively good match in ranking between in RAF allocation and the historical utilization per country. The top four recipients of biodiversity RAF allocations are the same as for historical allocations and the top two for climate change are the same. All but three of the top twenty in the RAF biodiversity allocation ranking were also in the top twenty historically, and twelve of twenty countries in climate change are the same. See **table 7**.

Table 7. Top ten recipients of GEF assistance under RAF and Historically (Pilot to GEF-3)*

	Top 10 RAF CC allocation	Total Amount M US\$	Top 10 CC historical allocation	Total Amount M US\$	Top 10 RAF BD allocation	Total Amount M US\$	Top 10 BD historical allocation	Total Amount M US\$
1.	China	150.0	China	336.58	Brazil	63.2	Brazil	121.69
2.	India	74.9	India	185.52	Mexico	54.6	Mexico	91.68
3.	Russia	72.5	Brazil	134.38	China	44.3	China	83.22
4.	Brazil	38.1	Mexico	132.22	Indonesia	41.4	Indonesia	59.12
5.	Poland	38.1	Egypt	69.08	Colombia	36.6	Russia	56.51
6.	Mexico	28.3	Philippines	68.28	India	29.6	Colombia	54.75
7.	South Africa	23.9	Morocco	57.53	Russia	25.3	India	52.96
8.	Ukraine	18.9	Poland	54.39	Peru	25.3	Philippines	43.66
9.	Turkey	17.5	Indonesia	48.91	Madagascar	24.2	South Africa	43.20
10.	Iran	16.5	Vietnam	35.39	Ecuador	23.2	Peru	42.76

* Historical allocation includes aggregate resources from 1990 to 2006 (16 years).

* RAF allocation includes assumed funds for 2006-10 (4 years).

* CC= climate change, BD=biodiversity.

In climate change, five of the top ten recipients are new. In biodiversity, only two of the top ten countries are new. There is also a general match between the group allocation countries and countries with historical *low* allocations. For the countries in between, with a medium-level individual allocation, there is general correspondence in relative ranking, but also movement up or down for several countries.

Comparative shares

Because the value of nominal US dollars amounts has decreased over time, comparison by share of resources in a period is a more accurate measure. The top three countries of 150 biodiversity countries account for a share of almost 16% of the total past allocation (they now account for 18% of 900M US\$ in biodiversity). In biodiversity, the shares per country reflect past shares of focal area utilization relatively well. Brazil with 7.0% of RAF biodiversity funds had 6.8% in the past, and Mexico with 6.0% had 5.1% historically. It is difficult to discern a pattern of decrease or increase in share, and differences are in small percentage increments. No country is close to the ceiling of 10% of focal area funds.

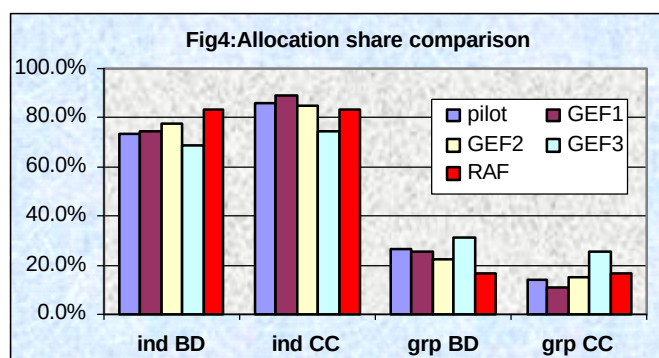
In climate change, some individual differences to past share are greater than for biodiversity, but overall shares are also similar and without a clear pattern. China now accounts for 16.7% of the RAF adjusted allocation compared to 17.9% in the past; and India with 8.3% had 9.9%. The Russian Federation has increased from 1% to 8.1% under RAF, while Mexico has decreased from 7.0% to 3.1%.

Figure 4 shows the share of resource use for individual and group allocation countries per replenishment period. The overall pattern is relatively consistent in share, ranging between 70-85% for the individual allocation countries. In GEF-3, more countries accessed resources than in the past, so that the difference seems more marked when compared to GEF-4.

Comparative amounts

Third, in terms of *actual* allocation compared to past amounts, there is an uneven mix of increase and decrease in country allocations in both focal areas. For stakeholders, the perception of actual amounts seems more important than ranking.

The match between the historical experience with GEF programming and the RAF allocations influences how the countries have been able to address the transition to RAF. The historical allocations are available in statistical annex on the portfolio. Key trends in both climate change and biodiversity are:



- **Most countries have gained in resources** available under RAF, especially in climate change, compared to their historical average 4-year replenishment allocation. In biodiversity, 39% of countries have seen some gain, and in climate change 81%, including countries with no historical allocation. A few countries have doubled their past allocation or increased more than 1000% (around 36 climate change recipients and 25 countries in biodiversity).
- **The main large recipients historically continue to benefit from high RAF individual allocations.** Among the countries with gain compared to their past allocations are also some of the largest recipients under RAF. In climate change, the 150 MUS\$ amount for China for four years is larger than its 21M US\$ annual average historical allocation. In biodiversity, Brazil's average yearly allocation is 15.8M US\$ under RAF compared to 7.6 M US\$ annually over 16 years. Several countries have gained comparatively in both focal areas; such as Venezuela, Malaysia, Thailand and Russia.
- **Countries that received little in the past may gain under RAF, even if they now only receive group allocations.** The bottom 25% of countries in biodiversity used an average of \$0.98 million over 16 years. In GEF-3, 51 countries (30% of 166) did not access any GEF-3 resources for country projects in either focal area¹⁵⁵. Some countries may now benefit from group allocation while they never accessed any GEF resources over 16 years (three countries in biodiversity and 19 in climate change).
- **Some countries, of mid-rank, however, have seen a drop in RAF resources in the focal area compared to historical support.** This concerns around 30 countries in climate change and 32 countries in biodiversity. Most are countries that have become group allocation countries. For example, Ghana had more than 6M US\$ per replenishment period in biodiversity and 4M US\$ in climate change and now is part of the group allocation in each focal area. Among individual allocation counties, three in biodiversity and nine in climate change have seen a relative reduction in support (such as Egypt).
- **Some countries have experienced a switch in resource availability between the two focal areas.** Cambodia, for example, with average 1.7M US\$ per past replenishment period, gained an individual allocation of 3.3 MUS\$ in climate change, whereas it dropped from 2.7 MUS\$ average to group

allocation in biodiversity. Other such cases are (a) gain in climate change, less in biodiversity - Ukraine, the Slovak Republic, Pakistan, Bangladesh; and (b) the other way around with more funds in biodiversity and less in climate change - Morocco, South Africa, Kenya, Mexico, Peru, Cuba, and the Philippines.

Country allocations are countered by that fact that all countries receive less resources from global and regional GEF funding. Some countries have in the past depended more on regional and global resources than on country-specific projects. The above trends underestimate the RAF changes in such countries. (See chapter 6 and Technical Paper #4.)

5.1.3 Reallocation

As agreed when the RAF was approved, a recalculation of indices was undertaken at mid-point of GEF-4, and a reallocation of funds was published in August 2008¹⁵⁶. There were changes in eligibility. There are three new countries in both focal areas: Timor Leste, Serbia, and Montenegro. Six countries became ineligible in climate change and biodiversity¹⁵⁷.

One country in biodiversity was lifted to indicative allocations from the group allocation (Suriname). Four countries in climate change were lifted to indicative allocations from the group: Serbia, Tunisia, Croatia, and Turkmenistan. The overall increase in programmable resources also led to an increase in amounts for both individual and group allocation countries. In biodiversity, 84 countries saw an increase in their allocation from the initial RAF amount; 84 countries in climate change, while 32 countries in bio and 66 in climate change experiences no change. Only five climate change countries and 28 bio countries experienced a relative decrease in funds (see Technical Paper #3).

5.2 Portfolio Overview

This section addresses how the resources allocated have been used so far, with patterns of changes in GEF programming for portfolio and pipeline under GEF-4.

5.2.1 Resource utilization

The RAF has caused substantial changes in implementation. RAF allocations may not be significantly different overall, but in implementation changes are obvious at several levels: (a) delivery, or resource utilization; (b) Agency composition and involvement; and (c) project modalities and the nature of projects.

By midpoint in the GEF-4 replenishment period, the GEF has allocated a total of \$1.3 billion¹⁵⁸, of which \$295 million has gone to biodiversity and \$280 million to climate change. This corresponds to an overall rate for resource utilization of 31% at midpoint. For non-RAF focal areas the resource utilization is considerably higher in shares and actual amounts; international waters (59%), land degradation (81%), and POPs (48%)¹⁵⁹. At mid-point in GEF-3, 42% of all resources had been committed for projects, compared to RAF overall resource utilization rate of 23% in biodiversity and 21% in climate change. This conceals considerable differences among countries.

Few projects have started. Under the new project cycle, *utilization* as described above is defined by the GEF Secretariat as PIF approvals (i.e. concepts). If utilization is defined as project document endorsement, utilization is at 6% of total GEF-4 country RAF funding. Fifteen fullsize projects in climate change and biodiversity that have been endorsed by the CEO (103.2 million US\$)¹⁶⁰, which means that they would start implementation on average within four months. Fifty MSPs approved by the CEO (43.9 million US\$). PIFs for another 74 fullsize projects have been approved; many in the April 2008 work

program. Supposing a 22-month project cycle these would be expected for endorsement in February 2010, four months before the end of GEF-4.

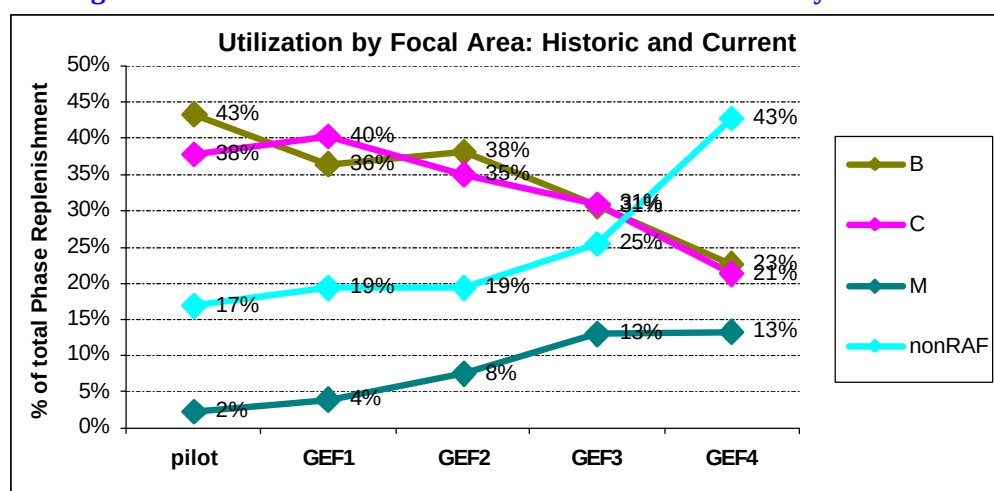
The resource use is uneven. On average, the individual allocation countries in climate change have used 33% of their funds, while countries with individual biodiversity allocations have succeeded in utilized 34% of their full initial allocation. More negatively affected are climate change group allocation countries, which have only utilized 5% of their allocation, and the biodiversity group allocation with 18%.

Allocation of GEF resources under RAF has become relatively more dispersed and consequently, less equal, as measured by the Gini Coefficient¹⁶¹ (see statistical annex). For both focal areas, the utilization at midpoint is more unequal than both the historical utilization and the RAF allocation, meaning that the difference in who succeeds in accessing resources has increased. Utilization to midpoint of biodiversity resources, indicates that the spread, or “concentration of resources” has increased the Gini Coefficient of inequality to 0.60 (from 0.48) for individual allocation countries. Utilization of climate change resources to midpoint indicates that the spread has increased to 0.76 (1 being “perfectly unequal”) for individual countries. To put this in perspective, this makes the RAF, via its utilization at midpoint, more unequal than any country on the planet.

A number of factors and GEF reforms also play a role in access to resources. Approvals in the first half of replenishments are generally slower than in the second half. However, the utilization in the RAF focal areas is slower at midpoint than in the past. At GEF-3 mid-term, 37% of total biodiversity resources had been approved, and 44% of climate change resources. By October 2008, the Secretariat reports that the overall ratio of utilization in GEF-4 is 36% in climate change and 37% in biodiversity¹⁶².

At midpoint of GEF-4, there has been a significant increase in utilization in “non-RAF” focal areas (43% of mid-term GEF-4 resources) relative to both biodiversity and climate change. The resource delivery in the two RAF focal areas is lagging, compared to historical practice and to *other* focal areas under GEF-4, which have been subject to the same reforms. As shown in figure 5, countries and Agencies seem to have moved attention to the non-RAF areas.

Figure 5: Share of historic and GEF-4 resource utilization by focal area



The main problems in access to funds are found for sub-Saharan African countries. A total of 130 countries (of 161) have a group allocation of some kind. At midpoint, the average utilization across the biodiversity group allocation countries is \$317,000, and the average climate change group allocation utilization is 62.000 US\$ per country. When taking into account *other factors concurrently*, it is confirmed that being assigned to the “group” category is associated with the largest difference in resource

utilization. Key drivers in resource utilization are the categories of (a) countries in Africa, and then those categorized as (b) IDA or IBRD countries, and (c) LDCs¹⁶³. Controlling for all “contextual” factors, the following associations are noted in order of magnitude:

- The utilization in biodiversity by IBRD countries is 50% as compared with 18% for non-IBRD countries. The utilization by LDCs is just 8% as compared with non-LDC countries at 40%. By region, countries outside Africa (98) have on average utilized 39% of their biodiversity allocation as compared with 52 African countries that have on average utilized 14% (statistically significant at 1%).
- For climate change, assignment to the “group allocation” category makes the largest (negative, 24% less) difference to resource utilization. In matter of significance, when controlling for all factors: World Bank blend countries with access to both IBRD loans and IDA grants show a positive correlation with resource use (35% more access than non-blend countries), while IBRD countries show a positive effect (20% more than non-IBRD). Differences across regions are not significant.

To some extent this pattern matches the historic patterns of resource utilization, in that few countries have managed to access resources in all of the four phases so far from the pilot phase to GEF-3. Only 16% and 9% of the currently eligible countries in biodiversity and climate change, respectively, have accessed GEF funds since the Pilot phase until now (See **table 8**). Only fourteen countries in climate change and fifteen in biodiversity experienced a fluctuation in access in alternate replenishments, of which most are group allocation countries. However, while many countries have accessed funds historically, the amounts have often been limited. Almost half of the countries have received less than half a million US\$ in total historically, equivalent to an enabling activity.

Type of access	Biodiversity	Climate change
Access in one phase only	24 (16% of 150)	18 (11%)
Access in two phases	54 (36%)	68 (42%)
Access in three phases	44 (29%)	41 (46%)
Access in all four phases	24 (16% of 150)	14 (9% of 161)

The number of countries that did not access funds in GEF-3 is 61 biodiversity and 52 in climate change. Only 21 countries did not access GEF-3 funds in *either* focal area (of which seven are SIDS). The number of

countries engaged in GEF has grown over time; in GEF-3 more than a hundred countries received funds in each focal area, up from 49 countries in biodiversity and 24 in climate change in the Pilot Phase. Thus, most countries would expect to access funds during a replenishment period. (See Technical Paper #3).

5.2.2 Agency distribution

The portfolio distribution among GEF Agencies has significantly shifted under RAF. Historically the largest Agency in terms of GEF resources under implementation, the World Bank has dropped from more than half of GEF utilization in biodiversity and climate change in past periods to 32% of RAF resource utilization. UNDP now accounts for 43% of the resource utilization, up from 32% in GEF-3. The role of the seven “Executing Agencies” (ExA) has increased in GEF-4; currently accounting for 17% of the RAF utilization (compared to 7.9% in GEF-3 including indirect access, or 2% of all historical resources). In terms of resource utilization, UNEP’s share remains more or less the same (7%) for the RAF focal areas. Joint projects seem to have disappeared¹⁶⁴ (see figure in chapter 1 and technical paper #3).

There are slight differences in modalities. UNDP accounts for \$201 million for 49 fullsize projects (average size 4 M US\$). UNDP also has the most MSPs (40), and implements eight of the ten enabling activities approved. The World Bank has 23 FSPs (\$175 million, average \$7.6 million each), mainly in climate change. With \$99 million in approvals, the erstwhile Executing Agencies have surpassed UNEP (42.1 million US\$).

The non-RAF focal areas have higher resource utilization. The World Bank leads in the non-RAF focal areas (\$181 million), closely followed by UNDP at \$178 million, and the Executing Agency share in the non-RAF focal area is very competitive. In particular, UNIDO is active in POPs (13 projects) and IFAD in land degradation (13 projects). In the multifocal areas, UNDP has accessed \$114 million, as compared to \$56 million by World Bank/IFC for the Earth Fund.

5.2.3 Project modalities

Three interlinked trends are notable in modalities, namely (a) changes in the mix of modalities; (b) new types of projects; and (c) changes in the average size of projects.

The main focus is on fullsize projects, with a decrease in enabling activities and project preparation grants. The relative number of MSPs is growing, but the evolution is uncertain. 91% of the total RAF resources have been allocated to fullsize projects, 7% to medium-size projects, 1% to preparation grants and 0.5% to enabling activities. From the Joint Evaluation database, the percentage for FSPs in the past portfolio is the same, has increased a bit for MSPs (historically 3%), and decreased for enabling activities (historically 4%) and preparation grants (previously PDFs¹⁶⁵). With assumed likelihood of 1M US\$ per country, MSPs are more likely for the group allocation countries. Given the low resource utilization for the group allocation, the number of likely MSPs may be under-estimated.

Average size of FSPs. In GEF-4, the average size of fullsize projects has declined somewhat in GEF-4, from 7.7M US\$ over past replenishment periods to 5.3 M US\$. The average size of FSPs in biodiversity for individual countries has been \$8 million. In climate change, the average size of an FSP has been \$10 million for individual countries. Historically, the average fullsize project for group allocation countries has been \$4.5 million in biodiversity and \$3.7 million in climate change, which is lower than the maximum per country in the group allocation.

Average size of MSPs. Because MSPs have a standard cap of 1 M US\$, there is little difference in MSP size between group and individual countries and with the past¹⁶⁶. There is a slight increase from 0.8M US\$ to 1 million US\$ on average. A contributing factor is the policy under RAF to finance Agency fees on *top* of one million US\$ for group countries, rather than *inclusive* of fees as for indicative RAF allocations.

Multifocal areas. Multi-focal projects (27) have historically averaged \$6 million. In GEF-4, a total of \$169 million (33%) of utilization by fullsize projects are for so-called projects with “financial break-up” project classification¹⁶⁷. These are projects defined by the Secretariat database with the same identification number, spread over numerous countries, agencies and/or focal areas. The trend of ‘breakup projects’ is related, in part, to the increase under RAF because of the need to make a viable project by combining resources from different sources or funding windows, in and out of RAF¹⁶⁸.

6. IMPLEMENTATION OF THE RAF

This chapter presents the implementation of the RAF, including the roles and responsibilities; support and guidance; barriers to access of funds and promoting factors; emerging effects; and issues of cost effectiveness.

6.1 Institutional Roles and Relationships

GEF is a network organization, made up of a diverse group of partners playing a variety of roles. Responsibility for the accomplishment of GEF goals is shared among the multiple entities. Flows of authority and accountability are complex. Relationships, particularly on an informal basis, shift and evolve as circumstances within and among the respective organizations change.

The RAF has not caused any major formal changes in roles, but “ways of doing business,” organizational arrangements and relationships among partner organizations have shifted, in some cases significantly. The most significant developments are the ones that have taken place outside the realm of formal adjustments to the traditional roles, typically in response to constraints and opportunities presented by RAF implementation. These include:

- The “bilateral” relationship between country Focal Points and the GEF Secretariat has grown in importance. Management of country project pipelines, an issue of less compelling concern before the RAF, is now critically important to all GEF entities. Operational Focal Points (OFPs) now play a more central role in pipeline planning and prioritization.
- The GEF Secretariat also appears to have become relatively more influential than before the RAF, due in part to the fact that the outcomes of project proposal reviews by the Secretariat affect country pipelines. In addition, the Secretariat directly consults with Operational Focal Points regarding prioritization of projects within pipelines. Some stakeholder feel that the GEF Secretariat’s role in GEF policy formulation has expanded.
- The pattern of changes among Implementing and Executing Agencies is mixed. Some Agencies have expanded their levels of GEF activity in the RAF context, while others have slowed down.
- In the implementation phase of projects, NGOs and the private sector appear to be less engaged than they were before the RAF, perhaps in large part because of the more predominant role played by national governments in portfolio planning.
- However, the roles of *other* GEF entities have not significantly changed; for Council, STAP, the Trustee, and the Evaluation Office.

Other (non-RAF) changes in GEF policies and procedures have accentuated the changes in roles.

During the first half of GEF-4, certain developments and reforms were put into place roughly at the same time as RAF came into full implementation. These developments include the stoppage of the GEF pipeline (in late 2006); revision to the project cycle (June 2007); approval of the Agency comparative advantage paper (June 2007), approval of focal area strategies for GEF-4 (July 2007), and revisions of project approval templates (September 2006, April 2008). These worked to reinforce the increasingly stronger role of the GEF Secretariat, with a commensurate shift in Agency positioning.

These changes together have generally added complexity to the work of GEF entities and country partners. Some of them, such as the timing of approval of focal area strategies, likely would not have been hindrances to normal forward progress in GEF had they not taken place along with early implementation of the RAF. While the RAF design does not call for any of these changes, the shifts in roles and relationships observed are a summative result of the procedural developments themselves and RAF implementation.

GEF Focal Points

In some ways the RAF has empowered country Focal Points, in other ways it has diminished their influence. Most stakeholders find that the RAF can potentially strengthen the role of country participants. In the mid-term review survey, 63 percent of GEF stakeholders found that the RAF may strengthen country roles in portfolio planning, while 25 percent found it mostly or completely untrue. GEF country focal points and government staff were most likely to agree, with 77 percent finding the statement mostly or completely true.

The RAF seems to have boosted the focal point role in individual allocation countries. The administrative and political resources available to Operational Focal Points in individual allocation countries tend to be better than in many group countries, though not without constraints. It is the Focal Points in individual allocation countries that tend to be regularly contacted by GEF Agencies. In these countries, focal points report that the RAF allocation has provided them with a platform for coordination and attention to GEF matters, among other ministries and at the political level. The certainty attached to the individual country allocation helps to attract stakeholders, including GEF agencies, and often promotes a more deliberate approach to portfolio planning. For example, in Bulgaria the RAF increased awareness at the political level and GEF priority-setting is now undertaken at the ministerial level.

Group allocation countries are often lower-income countries with relatively limited institutional capacity for managing a GEF portfolio. The scope of consultations on national pipeline priorities tend to be similar whether or not the country has a large or small allocation, which puts a relative higher strain on the smaller countries.

GEF Secretariat and Agencies

The role of the GEF Secretariat has changed, but its institutional capacity is challenged. The influence of the GEF Secretariat has expanded, but not without strains. As in other examples cited, the influence of GEF Secretariat within the RAF context has evolved on an informal basis. In RAF implementation, the Secretariat has a facilitating function, but also sees their role as one of quality control and steering the project development and approval process. In their other functions, the Secretariat staff, and particularly the CEO, makes decisions on other issues as separate concerns, such as focal areas, policies, project rejection, cycle and format, and financial requirements. Some such decisions have implications for the RAF implementation and relationships.

The organizational rearrangements in the Secretariat may also influence RAF implementation. Relationships and internal lines of responsibilities are not as smooth as some would wish, with the external relations team interacting with focal points on general concerns on their pipeline; the focal area teams interacting with Agency task managers and sometimes countries on project proposals, and the operations team interacting with the other teams and Agency coordinators to facilitate overall RAF implementation. The Secretariat faces hindrances to its effectiveness as a key institutional participant in GEF under the RAF, including:

- Considerable turnover of more than half of staff during the first half of GEF-4. The staff turnover may also contribute to less frequent personal interaction between the Agencies and Secretariat staff.
- Multiple functions and new internal organizational arrangements to address them.
- Cross-team communication within the Secretariat is challenged by the multiplicity of demands placed on the teams and the increasing need to coordinate effectively across teams; GEF Secretariat staff morale appears to be low, as brought out by the 2007 staff satisfaction survey of the WBG.

- Field visits and country contacts by the Secretariat staff are minimal, impeding adequacy of communication.

Majorities among GEF stakeholders observe that implementation of the RAF may have been accompanied by enhancement of the influence of the GEF Secretariat in project and portfolio planning. Sixty percent of all stakeholders indicated that that RAF implementation “may shift project decision making power in favor of the GEF Secretariat”¹⁶⁹.

The only *formal* change in roles or responsibilities has been the additional responsibility for GEF Secretariat to manage the RAF. In essence this is a program support function that provides the GEF Secretariat with access to information on RAF design and implementation. The pipeline consultation teleconferences between the Secretariat and OFPs in early 2007, in particular, is an example of new bilateral relations between countries and the GEF, enabled by the introduction of the RAF. While the idea of the teleconferences was welcomed by most, there has been no capacity for systematic follow-up, a constraint clearly felt by many Secretariat staff.

The RAF has significantly affected the GEF Agencies, with mixed but mainly negative results. The RAF has influenced the Agency composition, role and engagement by:

- Strengthening the government role in pipeline development; which has changed demand for certain type of projects and affected Agencies traditionally working with the private sector or NGOs (such as IFC).
- Reducing the availability of global and regional funds, and its direct steerage by the Secretariat, have curtailed the involvement of UNEP.
- The small level of allocation for group countries has affected all Agencies, in that most focus on larger countries that provide opportunities for synergies, reasonable transaction costs and mainstreaming.
- Some countries did not have regular activity of the GEF in each replenishment period. Some Agencies now find it difficult to quickly develop small projects for the range of eligible countries in a short timeframe. This puts pressure on Agency representation in such countries, which might not be as used to dealing with GEF requirements.
- The shift from historical allocation to a different RAF focus and concentration of funding in countries have disturbed the pattern of engagement of Agencies. Countries are often quite specific as to which Agencies they want to work with, based on involvement with the Agencies on their regular portfolios.
- The RAF necessity of country dialogue and planning, encourages focal points to rely on country presence of the Agencies. The Agency with the most extensive country office presence is UNDP, with 142 offices in developing countries, while the World Bank has around 111 offices.
- The walls between focal areas and the limited funds for some countries have enabled the push for programmatic approaches and multifocal projects to gain momentum. Both the Secretariat and the Agencies have taken on new functions with new design and implementation challenges under the programmatic approaches.

The policy on **comparative advantage** (June 2007) outlined the relative areas of technical and managerial strength for each of the GEF agencies and encouraged the agencies to focus their GEF work in the areas identified. An outgrowth from this refinement of policy has been a increase in the tendency of OFPs to “comparison shop” among GEF agencies for the preferred project partner, shifting decision making power in the countries’ favor and placing agencies in a more directly competitive context than earlier. Some OFPs use the RAF allocation to share smaller projects among several Agencies; this tends to crowd out an Agency needing larger interventions. In some cases, the GEF Secretariat decided to shift the Agency responsibility to another Agency, for example, for at least four Pacific countries and in the Congo. This creates disincentives for Agencies to put effort into project proposals.

Other factors are involved also involved in the changed position of the GEF Agencies:

- Added complexity, taking various forms, and frequent changes in format and procedures. It can prove difficult to match the resources available in a country's RAF allocation to the project features an agency is capable of delivering and to the capacity of an Agency's local office. Many Agency task managers have become discouraged and may retreat from dealing with the added GEF complexities, which makes it more challenging to find a "champion" within an Agency to overcome challenges in pursuing GEF funding.
- Changes in financial context. Reductions in the corporate budget for the Implementing Agencies and the flexibility to negotiate fees, the lack of availability of fees for programmatic approaches, and reduction in value of the US dollar contribute to financial strains on doing GEF agency business.
- Additional functional demands have been placed upon GEF agencies, including the inclusion of monitoring and evaluation plans with projects, expanded fiduciary responsibilities and the need to be prepared for audits and other forms of administrative scrutiny.
- Finally, RAF support. An added function for the Agencies has been to provide training and information on the GEF changes and the RAF, as well as sometimes serving as the "messenger of bad news".

The instructions from the CEO to Agencies not to consult with countries and the cancellation of their pipeline projects have further discouraged Agency commitment to the GEF. Some Agencies have other options for funding, and may feel they no longer have to endure discordant treatment from the GEF in programming.

The RAF has, in general, negatively affected roles of the private sector, civil society and the NGO community. There are a few excellent examples of government/NGO cooperation on GEF programming, such as in Honduras, Uganda and Madagascar. However, in the majority of countries the involvement of the NGO community has declined, or at least not improved. There was no involvement of consultation of the NGO network or accredited NGO partners on RAF design and operational policies for implementation, which might have mitigated some negative effects. The RAF has affected NGOs in the following ways:

- Low or uncertain involvement in national priority setting. Where national committees for GEF matters have been established, the review found no systematic evidence of NGO membership. The focal points in interviews often did not indicate that they had consulted NGOs. In countries where priority-setting was undertaken through stakeholder workshops, NGOs did participate.
- Previously, much of NGO consultation happened at the project design level. As priority-setting has moved up to the portfolio level, the engagement of NGOs diminishes. The reduction of the extensive project preparation facility also tends to curtail pre-project outreach.
- Reduction in NGO project execution. NGOs used to execute 1.9 percent of FSPs, and 28.6 percent of MSPs (Joint Evaluation). Under RAF, twenty projects (all biodiversity, except one in climate change) are classified with NGOs as an executing agency, including three enabling activities, seven MSPs, and ten FSPs. These have a total budget of 63.2 M US\$¹⁷⁰, a percentage of 11% of all funds (for FSP, MSP, grants and enabling activities), though over-estimated. Of fourteen country MSP and FSPs, eleven are in individual allocation countries¹⁷¹.
- Change in funding for the SGP, which is a key vehicle for access to GEF funding by community-based organizations.

Historically, the **private sector** executed 1.2 percent of FSPs and 4 percent of MSPs (Joint evaluation). There are now no projects under RAF executed by the private sector. The mid-term review consultations on the emerging pipeline did not reveal high likelihood of future projects. The lack of engagement of private sector will likely affect the recent policy on non-grant instruments (April 2008). Factors given in the lack of involvement of the private sector include the central role of country governments through the

OFPs, as well as the lack of certainty in accessing funding easily. Much of private sector cooperation in the past has taken place through IFC. IFC is now working with three endorsed GEF-3 projects; there are no more proposals in the pipeline.

The main vehicle for GEF collaboration with the private sector is now the Earth Fund, previously called the GEF Public Private Partnership (PPP) Initiative, approved in June 2007 (ID: 3357, IFC) to establish innovative partnerships with the private sector to generate global environmental benefits in a sustainable and cost-effective manner. The PPP is based on GEF/C.28/14, *GEF Strategy to Enhance Engagement with the Private Sector*, discussed at Council in June 2006. The budget for this multifocal project with a GEF contribution of 50M US\$ draws on resources from the Trustee's project data reconciliation and savings in the corporate budget. The PPP is designed around five initial "platforms" and will rely on project proposals to disburse funds. As the Partnership is not yet operational, it is too soon to say how it will affect the private sector and GEF cooperation.

There was no clear consensus among participants in the Delphi peer study on whether the RAF should be amended to take into account private sector involvement. Sentiment ran in favor of incorporating some measure of private sector involvement and that the private sector should be viewed broadly and include individual households as well as businesses.

6.2 Guidance, Support and Transparency

Within the GEF network, the provision of support, information, policies and guidance is part of the function of the GEF Secretariat, as well as the GEF Agencies. This section addresses the key questions on how guidelines and GEF support facilitated timely and efficient implementation of the RAF.

6.2.1 Support and Guidance

The GEF has used a number of channels to disseminate RAF related information and provide support to its stakeholders, including around six CEO letters and guidelines; the GEF website updated in 2006 and 2008; the country portal with access to portfolio information; RAF documents; Sub-regional Workshops for sharing information among the countries; teleconferences with 127 countries; the Country Support Program; bilateral support and interaction; support to national consultations; and support to programmatic approaches.

When asked about the helpfulness of such information and assistance in the MTR survey, a slight majority of stakeholders (51 %) found it to be helpful; but at the same time 31 percent found it to be a hindering factor and 21 percent found it to be both helpful and hindering. Overall, GEF stakeholders appear to be disappointed in the level of transparency regarding GEF design and the allocation process, but they are receptive to outreach and information-sharing activities.

The extensive guidelines and support have not succeeded in making the RAF transparent and accessible. Guidance, especially on implementation issues, has not been sufficient or fully consistent for countries and agencies. The GEF partnership moved quickly to provide information once the RAF had been approved. The workshops under the Country Support Programme and the GEF country profile page were helpful in providing basic information to focal points.

The effectiveness of guidance on implementation and support provided seems to have been counteracted by changes in guidance and decisions, or indications of follow-up that did not materialize, so that many countries did not know quite how to proceed. This includes periodic summary of the resources allocated; a schedule of periodic reviews for pipeline entry of concepts; and the pipeline for the global and regional exclusion. On different occasions, countries were advised different approaches to pipeline priorities and

SGP funding. The April 2006 guidelines fall short of standards associated with a handbook, as requested by the Council. A GEF Operational Manual was released in November 2007, but is not accessible to country stakeholders and does not add RAF information beyond the guidelines.

Tools were not provided to help OFPs inform other stakeholders. Some countries hired personnel to help with the translation of the RAF guidelines, such as Sri Lanka, which translated the RAF documents into Sinhala. Countries have expressed concern that the direct support facility, established before the RAF at 8000 US\$, does not suffice with the expanded role of Focal Points and national consultations, and especially where several rounds of consultations are needed (such as in Togo).

Historically, countries often relied on the Agencies for instructions on GEF procedures. In many cases the Agency country offices also remained uncertain about the changing rules on the RAF and the new cycle, as they were not party to additional information beyond what was available to the focal points. Exclusion from pipeline discussions and changing implementation arrangements have hampered the Agency offices' ability to provide clarifications and support to countries.

Once the initial RAF launch was complete, country concerns moved to support for developing projects to access funds within the RAF period. In this changing context, neither the GEF Secretariat nor the Agencies have been able to provide timely and clear feedback to countries on a systematic basis. Countries are not certain anymore whom to turn to for resolution and miscommunication occurs. The country webpage does not provide up-to-date status of PIFs *before* they approved by the Secretariat, so that countries wonder about the status of their project idea. This does not imply that Agencies and the Secretariat are not working on the issue, but that the channels of communication for feedback do not seem to function effectively. The trend of bilateral discussions between partners, in a multi-party network, appears to have caused a number of misunderstandings.

As per Council's request, the GEF Secretariat has prepared progress reports on the implementation of the RAF. As these reports are not well known to country stakeholders or task managers, this channel does not reach them. In general, stakeholders do not find that the format of these reports helps them in obtaining an accurate and realistic picture of the status of the RAF.

Overall, the GEF channels of dissemination of information have relied on traditional support mechanisms of letters, guidelines and sub-regional workshops. These may not suffice for the kind of training and continuous support needed, for a multi-component, multi-dimensional system with so many different actors and country RAF categories. Enhancing the communication with the GEF constituencies is ranked one of the major issues of interest to stakeholders.

6.2.2 Transparency and Public Disclosure

The need for public involvement and information dissemination is set forth explicitly both in the GEF Instrument¹⁷² and in the GEF definition of the RAF. Also, "Throughout its deliberations, the Council has consistently agreed on the need for public disclosure of the GEF Resource Allocation Framework to increase the transparency of the system"¹⁷³. In 2007, the GEF Council approved a new communications and outreach strategy¹⁷⁴, which aims to improve the GEF's accessibility¹⁷⁵.

For the RAF, the GBI and the allocations for countries were made public on 15 September 2006, after the GEF-4 replenishment was concluded and after GEF-4 were supposed to start¹⁷⁶. This *Disclosure Document* contains indicative allocations for the individual allocations, the GEF Benefits Index for both focal areas, and their percentage share of the GBI. The RAF has caused a list of eligible countries to be made public, for the first time.

In its meeting of November 2005, the Council agreed that “Allocations for individual countries and the group will be publicly disclosed and the GEF Benefits Index (GBI) for all countries will be publicly disclosed; and, “With respect to the World Bank Country Policy and Institutional Assessment (CPIA) data used in the GEF Performance Index (GPI), a link will be provided from the GEF website to the World Bank website”. Council discussions on disclosure had focused on the confidentiality of the WB CPIA indicators and how to address this. The lack of participation in design and development of the RAF did not allow stakeholders to engage in understanding the approach, and this in turn, creates discomfort with the final result and data.

The GEF Secretariat had proposed that “The GEF will publicly disclose *all of the data and indicators used* in the RAF, subject to the public disclosure provisions imposed” (2005 Paris). The items for full public disclosure included both methodology and the indicators for the GBI, GPI, BFI and Portfolio Performance Index (PPI). The approved RAF paper¹⁷⁷ states that “The public disclosure of data and indicators used in the RAF depends on the rules and conditions *placed on the use of such information by the source of the information [author italics]*”. Except for the conditions placed on the World Bank CPIA data used in the GEF GPI, the MTR has not found any overview of rules and conditions with the GEF Secretariat limiting disclosure of the ‘raw’ data from sources of information. All of the original data underpinning the GBI indicators are in the public domain, though not always in the same form used by the GEF.

It was also proposed that for the performance index, “the indicators used to determine EEI (later called BFI and CEPIA) would be disclosed to respective countries only”, as is the practice by World Bank annually for its CPIA scores. Other organizations, such as WB and ADB, may use the scores for policy dialogue with the countries on what to focus efforts on. There is no evidence that this is done for the GEF performance scores. While the WB CPIA scores may be shared with the countries, the MTR found that this does not include the GEF Focal Points.

The actual disclosure of information is less ambitious than originally proposed, and than what is legally possible. The GEF has not publicly disclosed all of the information needed in order for the countries to understand why they receive a particular allocation amount, including (a) the indices (e.g. formula); (b) the indicators that the indices consist of; (c) original data underpinning the indicators; (d) the methodology to develop the indices from this data, and (e) the allocations resulting from the application of the formula and indices. A majority (59 %) of respondents to the MTR’s stakeholder survey indicated that they found it mostly or completely true that “The process of awarding country allocations may not be sufficiently transparent”. Given the complexity of the scores and calculations, it is of course possible that further disclosure may not help provide such clarity.

6.3 RAF Effectiveness and Efficiency

This section addresses the key question “What are barriers or promoting factors for access to funds by countries, and underlying reasons?”. It builds on the changes in portfolio and pipeline, the contextual issues, as well as feedback from interviews and surveys. Factors promoting or hindering access to GEF funds are summarized in **Box 1**.

Access of funds so far has not been fully satisfactory. Group allocation countries have accessed relatively less than indicative countries (utilization in biodiversity 27%; and climate change 5 %)¹⁷⁸. Within each category of countries, the resource access is uneven. With individual

Box 1: Key factors influencing access to funds

☺ Promoting factors	☹ Barriers to access:
- enhanced predictability in GEF funding - historic engagement with GEF - country ownership - support from GEF and Agencies	- small allocations - corporate reforms and related developments - gaps in knowledge - capacity limitations 50% rule - co-financing

allocations, 12 biodiversity countries and six climate change countries have not accessed any funds; in the group allocation, 47 countries for biodiversity and 104 for climate change have not accessed any GEF funds yet.

6.3.1 Factors Promoting Access to RAF Resources

Many countries have succeeded in gaining access to RAF funds via approved projects. Some countries have “rushed” to obtain project approvals under their allocations (nine countries reached their maximum 50 percent of total GEF-4 allocations in June of 2007, over a year before midpoint¹⁷⁹). At least four aspects of RAF setting have been beneficial to improved access.

First, improved **predictability** is especially true for countries with individual allocations. These countries tend to view their allocations as promoting a more systematic approach to GEF portfolio planning, especially for countries with a high allocation, which have “revitalized” the GEF programming (such as India and Russia). For example, in climate change, the eleven countries with high resource utilization all have high country allocations. Of the 15 upper middle income biodiversity countries, all have high delivery.¹⁸⁰ However, predictability contains a limitation, in that knowing your allocation is small may inhibit national stakeholders from action. In both focal areas, the countries with low resource utilization generally have smaller individual allocations (or one or two LDCs with high allocations).

Second, a **history of engagement** with the GEF, coupled with an existing pipeline, has helped some countries to use the predictability of funding to push projects. They have either been able to progress with projects already under development during GEF-3, or quickly generate new project ideas. This obviously requires technical expertise in-country and familiarity with GEF requirements and processes. Virtually all the countries with high allocations and high resource utilization had a considerable pipeline already under development, and were able to continue almost as usual.

Third an improved sense of **country ownership** is found in many countries, most commonly among individual allocation countries. The increased significance of the role of the GEF OFP is both a manifestation and a contributing factor to increased ownership. With a known allocation, national stakeholders and agencies alike are given the incentive to contribute to proposal development. The broadened participation and engagement of expertise can be a true resource, although in itself it is no guarantee that all choices will be the right ones.

Finally, strengthened **support** from GEF entities is widely appreciated among the focal points, and can enable countries to more efficiently and effectively work with GEF agencies toward successful project proposals. This support may come from the Country Support Programme, or the funds available to the GEF focal points. In addition, the development of a Country Page on the GEF website allows country access to portfolio and related information. Some focal points have also reported positive, constructive working relationships with the GEF Secretariat on PIF or PPG reviews. The select CEO exceptions to 50% rule also bring up the overall rate of resource utilization. The Secretariat, with Agencies, have increased efforts on developing programmatic approaches to help boost access of funds by group allocation countries, especially in the Pacific, the Caribbean and West and Central Africa.

Many Agencies have also mobilized support to (a) help raise awareness and understanding of the RAF at country level; (b) facilitate national priority-setting, and (c) develop project proposals. Countries that have a tradition of working with Agencies and coordinating efforts may have been more successful in securing support.

Nevertheless, there is still high frustration with the overall lack of support in many countries. The shift in Agency composition has placed stress on other Agencies to fill the gap, with some resulting bottlenecks.

Expectations that all countries should access funds in the four years, which was never historically the case, have placed additional demands on Agency capacity. There have been delays in the development of PIFs and project documents, and most of all, insufficient feedback to countries on the status of their proposals.

6.3.2 Barriers to Access to RAF Resources

While such positive factors as predictability and strengthened support are helpful, at a GEF-wide level they cannot overcome the generally more powerful limitations observed. While the size of allocations would require adjustment to the design of the RAF (or an unusually large future replenishment), other limitations described below are matters of procedural simplification, and of improvements to the administrative capacity of GEF entities.

a. Small Allocations

Countries identified the limited RAF allocation itself as barrier to access. This is especially true for the group allocation countries, though some countries with individual allocations also see the limited RAF allocation as a constraint.

For many countries, and especially group allocation countries that may have historically used little or no GEF resources, the RAF presents a dilemma: GEF resources are “newly available” in the sense that countries are given a tentative allocation, but access to these funds requires developing successful proposals that fit within the allocation as well as with GEF priorities. In addition, a change in a country’s historical funding levels can result in challenges. The funding limits and time constraints associated with the RAF have led to changes in patterns of accessing GEF funds.

A substantial 71 percent of stakeholders indicated in the MTR survey that country allocations may be so small that they discourage development of project proposals. Among categories of stakeholders the view varied, with 59 percent of focal points and government staff, 73 percent of NGO staff, and 88 percent of agency staff finding this mostly or completely true. The restricted level of funds inhibits access to resources in different ways:

- Countries that have seen a **drop** in RAF resources in the focal area compared to historical support, seem to have low resource utilization although past experience has demonstrated their ability to access GEF funds (such as Egypt, Ghana, Burkina Faso and Uganda). This can be linked to a decline in motivation to program small funds. The main concern is the expectation of funds that now cannot be met.
- Countries that have experienced a **switch** in resource availability between the two focal areas can labor to manage this dual focus. Substantial allocation reduction across replenishments can lead to low utilization.
- Small overall allocations often mean **smaller projects**, either by reducing projects to fit the allocation or from countries dividing the portfolio into smaller projects per national priority or Agency share.
- The limited funds can make it impossible for countries to address either national or GEF **priorities**. From African focal points, the review heard that “The national priorities are so vast that they cannot be satisfied with one small project”. Other proposals cannot satisfy the relatively ambitious scope of the GEF-4 strategic priorities, especially in climate change where projects are historically larger to effectively address market transformation.

b. GEF Corporate Reforms and Related Developments

During the first half of GEF-4, certain developments and reforms were put into place roughly at the same time as RAF came into full implementation. These changes together added complication to RAF implementation and resources delivery. They include:

- Stoppage of the GEF pipeline (late 2006 to early 2007). To allow for more efficient processing of project proposals, the CEO cancelled the existing pipeline. The late replenishment also led to a stoppage of work programs in December 2006. Respondents to MTR's stakeholder survey recognized the closeout and re-starting of the GEF pipeline as a hindrance to accessing GEF funds; only 11 percent reported that they found these changes to helpful, while 70 percent found it a hindering factor¹⁸¹.
- Revision to the project cycle (June 2007). In response to a grossly overloaded GEF pipeline, and to a GEF Evaluation Office analysis of the problem¹⁸², the GEF Council modified the activity cycle. As GEF entities have thus far worked with the new cycle, the occasional procedural error has been made, requiring time and effort to fix¹⁸³. Forty-six percent of all stakeholders recognized changes in the project cycle as a hindrance, while only 24 percent viewed them as a helpful factor.
- Revisions of project approval templates (September 2006, April 2008). The initial templates for submitting project identification information were made available in September 2006, but experience subsequently showed that revisions were necessary. In between, other drafts were circulated to Agencies. These changes were made, and revised templates were made available in April 2008. For those submitting projects for approval, this sequence resulted in two separate waves of revisions to the forms and guidance. In many cases the "original" GEF-4 submissions were revised versions of proposals remaining from GEF-3. Existing submissions were not "grandfathered," so that, as reported to us by several agency and Focal Point sources, requests for approval at times were submitted two or even three times.
- Scope and timing of PIF reviews. Many interview sources expressed dissatisfaction with the content and timeliness of PIF reviews. According to reports from agencies and OFPs, there is a tendency on the GEF Secretariat's side to call for further details to explain or expand upon the content of the originally submitted PIF. The result has been bounce-backs, widespread frustration and discouragement for subsequent proposals. The RAF complexities exacerbate this barrier.
- Approval of Focal Area Strategies for GEF-4 (July 2007). In content, the strategies are not seen to be constraining to pipeline prioritization, but the delays in approval resulted in pipeline development and prioritization consultations in the absence of approved focal area strategies. This left room for interpretation. The strategies are often too ambitious for countries' project proposals, especially group allocation countries with limited funds.
- The bilateral teleconferences on the pipeline. The teleconferences between the Secretariat and focal points (2006-07) were advisory consultations, but the follow-up letters identified feedback on proposals. The rate of 'clearance' of projects was low. Actionable items were not fully clear to countries; and the parties supposed to take action (the Agencies) were not part of the discussions. Consequently, the teleconferences have given rise to a number of misunderstandings. The in-depth country reviews in 2008 revealed that "experience of the RAF negotiations for developing project proposals and endorsement of PIFs has increased the perception that country ownership of GEF projects has diminished"¹⁸⁴. Coupled with the instructions that Agencies should not negotiate PIFs before country/Secretariat agreement, the teleconferences led to a freeze of planning in some countries and regions.

c. Gaps in knowledge

In order for the GEF to work effectively under the RAF, all the parties directly involved in implementation need to be kept adequately informed of the new set of RAF-related rules and procedures. Countries and GEF agencies together have struggled to share understanding of RAF design and procedures. Unfortunately, the history of the RAF is characterized by limited disclosure on technical RAF design, incomplete transparency of decision making, unclear guidance; mixed messages or operational policy changes; as well as indication of further guidance and action that did not materialize. These limitations together have translated to weak institutional responsiveness and implications for project delivery.

Most countries are now aware of the basics of what the RAF is and how it works. There remain some exceptions, however, especially in group allocation countries. Individual allocation countries are clear regarding the amounts of money they have available, but not regarding the “how” to obtain it (including the 50% rule and other process concerns). Recipient countries that are represented at the Council were generally able to understand the RAF at an earlier point; but this understanding is not shared by their constituencies.

The high rate of turnover among GEF focal points undermines efforts at sustained clarity of communication to countries regarding GEF procedures and policies. Most stakeholders agree that there is a need to better inform countries on the implementation of RAF, and to improve the GEF information systems.

d. Capacity limits

Whether a country’s RAF allocation is large or small, it calls for a bundle of basic resources, such as technical expertise, human time and energy, administrative capacity, networking and consultation skills and political influence, to effectively manage a country portfolio. When the critical mass of such resources is not present, the modest level of resources made available through a group allocation is not sufficient for a government to invest seriously in improving the situation.

The certainty attached to the **individual country** allocation helps to attract political attention and other stakeholders, and often promotes a more deliberate approach to portfolio planning. Administrative capacity can also be strained for the individual allocation OFPs, particularly in view of the fact that these individuals may be faced with the challenge of juggling the interests and concerns of many GEF partners. It may prove difficult to draw the attention of top leadership to GEF activities in the more complex institutional context of a larger or somewhat wealthier country.

The largest RAF recipient category by far (78 countries, or 48 % of all countries) is constituted by countries with group allocations in both focal areas¹⁸⁵. Of these, 39% are from Sub-Saharan Africa and 39% are SIDS. The large majority of countries in special circumstances (least developed, crisis, small island developing states) is part of the group allocation. The resource utilization by least developed countries is just 8% as compared with non-LDC countries at 40%. Focal Points in group allocation countries typically face daunting challenges: communications infrastructure may inhibit the ability to stay informed about GEF procedural changes or guidance on pipeline management; some GEF agencies may select to “triage” their country partnerships, focusing on larger-allocation countries; and more powerful ministries in government may overshadow the policy interests of a relatively weak Ministry of Environment. Most of these countries are ill equipped to deal with the added complexities and rules of the group allocation.

The GEF Secretariat has taken on additional tasks and exhibits some capacity limitations in supporting implementation. The Secretariat was not set up well to implement RAF; new people were brought in at the middle of the process, many of whom had a learning curve to understand RAF or the GEF. Many stakeholders feel that the GEF Secretariat also was developing systems and rules or directives “as they went along”; considering that their traditional role has not been to support implementation issues. The complexities, including logistics, of the teleconferences with countries, show the challenges in dialoguing with the large number of recipient countries.

The GEF Agencies also experience capacity limits in dealing with GEF projects and the RAF transition. Agencies may also be willing and able to provide support, but face barriers on their own. For GEF agencies, the RAF often means additional challenges in additional complexity in operations; changes in the financial context; and occasional mixed messages from the Secretariat and the GEF CEO regarding when and under what circumstances to communicate with country governments or other GEF agencies have added to agencies’ operational challenges. It can prove difficult to match the resources available in a country’s RAF allocation to the project features an agency is capable of delivering. The priorities and capacity of an agency’s country or regional office may need to be addressed. Programmatic approaches and multifocal projects present new design and implementation challenges. Changes in financial context for Agencies and co-financing elements and blended projects add to the financial and managerial complexity of GEF activities. The policy on Agency comparative advantage, though not intended as such, can also be a barrier to access. In other cases, Agencies have reduced their involvement in GEF matters.

From a country standpoint, it can be very difficult to identify the origin of barriers that they experience within the complex network of GEF entities. Focal points may see the Agency as cause of delay in getting project approval. In some cases this appears to be true, and in other cases the logjam appears to be at the Secretariat review. The review heard numerous complaints that Agencies, “tend to disappear once they get the country’s endorsement”. Countries are frustrated of not knowing the status of their proposals.

e. The 50% rule

The 50% rule is a barrier, but not to all countries. It is too early to verify if countries have been waiting for the 50 % point in GEF-4 to pass before submitting new PIFs. A slim majority (51 %) of MTR survey respondents found the overall effect of the 50% rule to be somewhat or very negative. This view may be influenced by the delays in the launch of the RAF, so that few countries experienced the 50% rule in this replenishment period. Due to the delay in the start of GEF-4, utilization arguably would be expected to be less than half of the full GEF-4 levels. Exceptions to the 50% rule have been made by the CEO for operational reasons for some countries¹⁸⁶.

f. Co-funding requirements

Countries are called upon to identify co-financing of GEF projects. The timing constraint of the RAF, combined with the prioritization and approval challenges, result in a more complex environment for planning this aspect of projects. At times, for example where an OFP is located in a Ministry of Finance, the co-financing issue may be dealt with fairly readily, but this is the case in only a minority of countries. Countries with smaller allocations, and smaller projects, may find it more difficult to attract cofinancing.

6.4 Emerging Effects

This section covers the key questions on the emerging effects of the RAF, related to country ownership and processes; and effects on special groups or modalities, such as global and regional programming, enabling activities, and the SGP. Key trends are summarized in **Box 2**.

6.4.1 Country Ownership

Country ownership, or “country drivenness,” is one of the ten operational principles of the GEF, linked to country capacity and effectiveness of GEF processes and projects. The concept of country ownership also contains some intrinsic tensions. For example, country environmental priorities may be at odds with those of other GEF entities, and country ownership may or may not involve engagement and consultation with a broadly representative group of stakeholders at national and local levels.

Enhancements to Country Ownership Linked to the RAF

Individual allocations. GEF operational focal points, especially in countries with individual allocations and funding predictability, report an expansion in their role, from project endorsement to engaging more actively in actual programming and prioritization.

Another possible strength of individual allocations is that the associated certainty and levels of funding may empower countries in negotiating with GEF agencies. Fifty-three percent of all stakeholders find the statement that application of the RAF “may strengthen country roles in portfolio planning” to be completely or mostly true.

Survey data confirm that there is broad agreement that the country role has expanded. Sixty-three percent of all survey respondents found that the RAF may strengthen country roles in portfolio planning, while 25 % indicated this to be completely or mostly untrue. In the group allocation countries, this new sense of empowerment is present on occasion, but it is much less common. Focal points and other stakeholders have noted that small country allocations tend to offer a less compelling platform for engaging agencies and other project partners.

Stronger institutionalization of country-level decision making, with a focus on portfolio prioritization. The processes and structures accompanying GEF project conception and prioritization in countries have in many cases been strengthened, in part because of the enhanced role of the focal point. Some countries have found that they can plan the use of resources in a more structured and methodical way that was not so possible under the “first-come, first-served” approach applied before the RAF. India and Russia may be examples of having brought more coherence to country portfolio planning in response to the RAF. In India’s case, the RAF has enabled and strengthened national priority setting and coordination, as well as monitoring and evaluation of the portfolio. With some qualifications, the quality of participation in national consultations to establish priorities in country pipelines appears in some cases to have become broader and more systematic than previously.

As found by other studies, formal national coordination mechanisms for the GEF are limited to a few countries, such as Bolivia, China, Colombia, Poland, South Africa, and Uganda (GEF NDI 2005). These countries all have individual allocations under RAF. National consultations appear to have “moved up” from a focus on the project level to greater attention to portfolios. With the CEO request in spring 2006 for identification of national priorities, the level of consultation appears to have moved up a level, in most countries. Specifically, with the need to discuss a *portfolio*, consultations seem to have shifted away from the project-by-project consultation of the past. The following models are observed¹⁸⁷:

- a. **GEF committees established.** Some countries reported that they have established national coordination committees, of varying levels of formality. In some cases that the RAF was the primary factor in encouraging governments to intensify and/or formalize national consultation processes (e.g. Congo).

Box 2: Key trends in GEF-4

- Merged projects
- Selection among projects
- New projects
- Smaller projects
- Less NGO and private sector
- Shift Operational Programs
- Multifocal area projects
- Programmatic approaches
- More MSPs
- Less project preparation grants
- Less global/regional projects
- Less enabling activities
- SGP growth in RAF focal areas

- b. **Consultation meetings**, either of committees or of a larger group. Bhutan, for example, held a consultative meeting with all the stakeholders.
- c. **National consultative workshops and processes**. Some countries established a process to consult on proposals, with a series of meetings, brainstorming or workshops (such as Indonesia and Sri Lanka).
- d. **Other innovative mechanisms** to establish priorities, such as contracting with a private sector company to assist in developing a country strategy in Ecuador or utilizing a national roundtable in Vietnam.
- e. **Focal point decisions**, or no priority discussion undertaken yet.

[The RAF and Limitations to Country Ownership](#)

While country government engagement in portfolio planning has been strengthened, the picture regarding nongovernmental participation leaves room for concern. In its strictest interpretation, country ownership is government engagement in decision making and not broad participation in planning. As one survey respondent noted, this is not necessarily a guarantee of project environmental relevance or quality. There are some potentially significant limitations to the quality of country ownership under the RAF once we consider such ownership to include broad engagement of a spectrum of country stakeholders both within and beyond government.

The GEF NGO community overall appears to be of mixed view regarding the RAF's effect on processes of country portfolio planning. Fifty percent of NGO respondents identified the RAF as having been "successful" or "very successful" in promoting transparency of country portfolio planning. Forty percent of NGO or private sector respondents reported that their involvement in country portfolio priority setting had increased moderately or a great deal under the RAF. A substantial number of concerns were expressed to the MTR regarding a perceived decline in effective NGO and civil society participation. Concerns included perceptions that governments manage projects according to the interests and priorities of the current focal points; lack of involvement of line ministries and in particular NGOs that used to have better opportunities to develop MSPs with a community-based focus; and low visibility at the local NGO level, partly due to lack of information from the government; and lack of material in local languages. In the views of some, there is a disparity among types of NGOs in terms of access to GEF resources. The large international environment NGOs may have benefited from the RAF, while the smaller international and regional NGOs have been more negatively affected by the RAF.

While opportunities for strengthened country ownership may have been expanded, limitations to country capacity can leave country focal points "lost in a sea of change." Country capacity can place limits upon a country's ability to actuate the opportunities that may be presented by the relative certainty of RAF funding. Constraints of particular relevance to country ownership include:

- Changeover in the staffing of focal points, due to changes in country political leadership, retirement and other career changes among civil servant staff, and so on. The need for climbing the "learning curve" of GEF processes is critical, making sustained focus at country government level both more important and more challenging.
- The opportunity posed by more institutionalized and systematic consultation on country pipelines can be mitigated by the time and staffing constraints faced by a focal point. Some focal points noted what is to them a tradeoff between effective consultation and efficiency in managing the portfolio. The fact that only 55 of 161 countries were successful in submitting pipelines to the Secretariat before the September 2006 deadline suggests the extent of this challenge.
- Finally, the various barriers to access to funding identified earlier tend to weigh against effective country ownership.

Predictability

One of the main advantages expected from the RAF was to promote increased predictability in the financing available from the GEF, which could help countries with programming and securing co-financing. The RAF has increased predictability for individual allocation countries by specifying at the beginning of each four-year replenishment period the resources each eligible country can expect from the GEF during period. Some regions that did not access large funds in the past, such as the Europe and CIS, expressed positive feedback on greater predictability of funding, which also helps the focal point in interacting with national stakeholders.

However, the level of predictability has not been even, and has been negatively affected by the following RAF design and operational factors:

- **Group allocation.** Countries in the group do not know the exact amount of their allocation. They know they can in principle access up to \$3.5 or \$3.1 million, but that does not provide sufficient predictability to help with long-term planning as it does for the countries with individual allocations. For some, predictability was higher before, when they could work for years on a project and still be likely to have it approved at some point.
- **GEF Eligibility and the Project Cycle.** For all countries, confusion over the project cycle and insufficient guidance and communication with the country Focal Points weakens the predictability of the RAF.
- **50% Rule.** Many countries, including most of the Agencies, found that 50% rule has reduced predictability of four-year planning and makes the process more complex and inefficient. Because the GEF information system did not address up-to-date pipeline status, Agencies submitted projects and were then told that the 50% rule was in effect for a given country.

While the mid-term reallocation exercise could have changed allocations and predictability, there was relatively low volatility in this reallocation. For the GEF system as a whole, there is a trade-off with high predictability and the possibility of increasing allocations for countries based on performance and need.

6.4.2 Portfolio and pipeline trends

This section addresses how priorities for the project pipeline and the nature of projects have changed, from two perspectives; (a) whether the introduction for the RAF had unintended, negative effects on the portfolio and projects; and (b) whether the RAF encouraged improvements in the portfolio.

Operational programs

Within each focal area, the operational programs (OPs) describe how and under which themes the GEF implements its Operational Strategy (1996). Historically, the projects in biodiversity OPs account for 17.1% compared to 7.85% now, and the four climate change OPs have decreased from 26.7% to 12.7% (see **table 9**), reflecting the low delivery of the RAF focal areas.

Table 9: OP share of resource utilization	Pilot-GEF3	GEF-4 share
OP1-BD Arid ecosystems	3.6%	2.9%
OP2-BD Marine ecosystems	5.8%	1.25%
OP3-BD Forest ecosystems	5.4%	1.4%
OP4-BD Mountain ecosystems	1.5%	0.8%
OP13- Agro biodiversity	0.9%	1.5%
OP5-Energy efficiency	8.9%	6.0%
OP6 Renewable energy	11.9%	1.8%
OP7 Low-cost technology	4.0%	0.3%
Op11 Transport	1.9%	4.6%
IW, OP8, 9, 10	11.6%	6.4%
OP12 Multifocal IEM	1.8%	0.38%
LD, Pops, Ozone	4.6%	18.3%
STRM, EA, SPA	11.6%	1.9%
Mixed OPs	24.3%	23.3%
Not specified	2.4%	29.1%
Total	100%	100%

The trends *within* biodiversity point to relatively more projects in agrobiodiversity and arid ecosystems. In climate change, sustainable transport and energy efficiency has grown. These changes reflect the new GEF-4 focal area strategies. The shares of multifocal areas, OP12 or mixed operational programs appear similar, but figures may be skewed as the GEF database has less data on operational programs in GEF-4 (29.1% not specified).

Efficiency and elapsed time

One of the key aims of the new project cycle is to reduce elapsed time for proposals in the cycle. Too few projects have completed the cycle preparation phase to make any definitive conclusions about whether or not targets have been achieved¹⁸⁸.

Given that the GEF-4 started in February 2007, only PIF approvals since then are counted. Consequently, the projects that have moved from PIF approval to CEO endorsement by mid-2008 have taken less than a year. The relatively short elapsed time from PIF to endorsement reflects that these projects are from previous replenishment periods, had been under preparation prior to the start of the revised project cycle and “re-pipelining” as PIFs.

For 28 fullsize projects approved since the GEF-4 effectively started, the actual average elapsed time from pipeline entry (concept approval) to CEO endorsement is 40.4 months¹⁸⁹. The 18 endorsed projects in the RAF focal areas have averaged 36.85 months.

In the Council decision on the activity cycle and the, a timeframe of 22 months was established from concept (now PIF) approval to project start of project *implementation*. In the project cycle policy paper this was changed to 22 months from PIF approval to *CEO endorsement* (which in GEF-3 was four months *before* project implementation on average). The standard timeline would therefore now be around 26 months on average, and the approximate four months would be added to the 40.2 months to an estimated 44-45 months from concept approval to start. One fullsize project under RAF is recorded in the Secretariat database as having started implementation¹⁹⁰. For medium-size projects, the Secretariat reported that the average elapsed time is close to 22 months from the original date of receipt to CEO Approval.

In the new project cycle, service standards were also established for Secretariat response time to Agency submission of proposals, within 10 working days¹⁹¹. Feedback from the Agencies to the MTR indicates that the 10-day turnaround rule for submission to decision is not consistent. Approval review can become delayed; the submission date may not be correctly recorded; and counting can begin from when the Secretariat staff is back from travel or holiday. More difficult to assess is the time spent on back-and-forth *before* formal submission.

Changes in pipeline and portfolio

For the countries with historically large resource use, continuous pipeline development and a large RAF allocation, such as China, changes from GEF-3 are limited. However, in most cases at country level, there are changes to the pipeline and portfolio, influenced by the RAF allocation and RAF priority-setting. The change in pipeline depends on the past historical involvement with the GEF and thus the likelihood of having a proposal in the pipeline already, and the RAF allocation, as follows: (a) Need to develop proposals, for countries with limited or no pipeline in either focal area (37 countries with no pipeline, including around nine with no historical allocation); and countries with existing pipeline but larger allocation than historically; or (b) Need to cut or reduce proposals, for countries with existing pipeline but smaller allocation than historically.

The evolution of the portfolio and transition from GEF-3 to GEF-4 can be tracked according to the following timeline:

- a. **Baseline** at the end of GEF-3: 646 proposals in the pipeline (including 200 pre-pipeline ideas) (EO 2006).
- b. **Spring 2006:** The Secretariat sent the **existing pipeline** to countries, and subregional workshops, including FSPs that had entered the pipeline, MSPs and enabling activities under preparation. This included 198 country projects under preparation, and 39 global and regional projects in the two focal areas. A total of 88 countries had a pipeline; around 37 countries did not have a pipeline in *either* focal area.
- c. **September 2006:** The Secretariat informed the Agencies that all concepts currently in the pipeline would have to be **pipelined again**. This concerned concepts totaling about \$1.7 billion, of which 119 had PDF-Bs. Of 177 concept in the pipeline, 96 were resubmitted by Agencies.
- d. **October 2006:** 75 countries sent list of country priorities to the Secretariat. Of these, 31% were countries with individual allocation in both focal areas, 20% were biodiversity individual allocation countries, 9% were climate change individual allocation countries, and the rest group allocation countries in both focal areas (31%, relatively low).
- e. **October 2006 to April 2007:** The Secretariat undertakes **teleconferences** with countries, discussing a total of 513 proposals as summarized in follow-up letters from the Secretariat to the OFPs, including 465 country projects and 48 global and regional projects. Around 127 countries were called. Twenty-six countries had neither a pipeline nor a teleconference.
- f. **December 2006:** 115 projects in the **pipeline were cancelled**, including 30 global and regional projects because the 5% RAF GRE had been frozen.
- g. **July 2008:** 28 fullsize country, regional and global projects have been endorsed under RAF, and 65 MSPs approved.

When comparing the pipeline lists (a – g), there is no clear pattern or consistency between the different pipelines at these different points in time. Considerable changes have been made. Many of the “old” GEF-3 proposals have been discontinued or not picked up in the country prioritization or in current approvals. The countries seem to have taken seriously the request from the CEO to consult widely and consequently broader priorities emerged. Some of these proposals had been long in preparation, and current focal point and government attention had meanwhile shifted to other issues. Whether or not these changes result in an improved pipeline, they have taken considerable cost and effort in development.

A total of 586 different ‘ideas’ and proposals were presented both in the initial pipeline and the teleconferences. Changes to the pipeline can result from the RAF introduction, from the teleconferences with the GEF Secretariat, and other modification during development related to national, GEF or Agency situation. A number of changes have been identified that primarily stem from the RAF consultations and the size and kind of RAF allocation. Such changes include:

- **Merging project proposals.** Countries developed list of project priorities, in part from existing GEF-3 concepts and in part new ones. Overlaps with proposed or past initiatives may have occurred, but merging was also proposed when funds would not suffice for several projects. Most proposals have subsequently not yet reached PIF submission, as redesign may take time.
- **Choosing amongst several projects.** This case appears common when funds do not suffice for several projects, for group countries, or because of the 50% rule. It is also noted for those countries that had past experience with GEF projects and had a pipeline, but are now part of the group allocation. Due to the 50% rule or smaller allocations, some countries had to select one project in the first half of the RAF, then wait for a second project, although in some cases the proposals was ready for submission. Some countries informed the MTR that they would select the proposal most likely to pass GEF approval.

- **Revising project proposals.** This is common in GEF project development. Requests for changes were made by the Secretariat based on new focal area strategies, before and after the strategies were approved. The RAF contributed to such changes by allocation shift in comparison to existing pipelines.
- **Dropping projects under development.** This occurred for several reasons. A total of 45% of 96 projects were discouraged in the teleconferences for lack of strategic fit. At least 55 pipeline projects from GEF-3 were not re-confirmed by the focal points¹⁹². The majority of there were in climate change (56%, 31), which may have contributed to resource utilization issues.
- **Developing new projects.** A large number (388, 76%) of the 513 proposals discussed during the teleconferences were *new*, in the sense that they were not in the pipeline at the start of GEF-4. For only 24% of these (92 out of 388) the proposal was ‘cleared’ by the Secretariat; the majority in biodiversity (57, versus 35 in climate change). The proposals have not yet materialized into PIFs. Although the proposals were new compared to the existing pipeline, this does not imply that they were new or innovative types of ideas, or of a different operational program focus. In any case proposals must comply with the focal area strategies.

Some projects still move on to approval or development even when not highlighted as priorities during the teleconferences. Of the 121 existing pipeline proposals not discussed, some were since approved (80) and some not (55). More proposals have been approved in biodiversity (55 of 80); including five enabling activities, twelve MSPs, and four CEO endorsed FSPs.

Modalities

The share of MSPs has increased. At GEF-3 midpoint, this share was 5.5 %, while at GEF-4 midpoint it is 9%. For small allocations, Agencies are encouraged to view projects as part of entire portfolios whereby some fullsize projects subsidize the cost of administering smaller projects. This has been difficult for the Agencies because of the increased unpredictability; for group allocations; application of eligibility and comparative advantages policy, and stoppage of the pipeline.

There is also a reduction in project preparation grants. This is mainly linked to the new policy to limit preparation grants within the new project cycle. The RAF may also create additional disincentives especially with regard to project preparation funds, because they take away from projects funds, in particular for countries with low allocations. Such countries often express the need for more support for project formulation. Up until the end of GEF-3, there had been a steady annual increase of PDF-B for FSPs, and PDF-A for MSPs. A total of 71% of full- and medium-size projects approved during GEF-3 had some PDF component, up from 60% in GEF-2 and 46% in GEF-1. In GEF-4, 61 PPGs have been approved for the RAF focal areas, but the amounts are naturally smaller than previously (1% of approved resources).

Project quality

It is too early to assess project design quality. Given all the changes to pipeline, it is not possible to determine if the portfolio has improved or not. In most cases, the proposals are not yet finalized. In the MTR survey, sixty percent of respondents found that RAF implementation may place stress on the design quality of GEF projects”.

In a review of proposals in 2007, the STAP found that in general, the problem definition was scientifically valid in a number of PIFs, with a significant minority that did not provide a logical problem

definition. However, no comparative assessment of past portfolio is available, and the findings may also be influenced by the PIF format. There appears to be no discernible pattern for the RAF focal areas.

There is a risk that the RAF may reduce the chance for innovative projects involving more than one country, or innovative approaches in general and those not generated by governments. This seems to be linked to a number of factors; limited country funding, reduction in global and regional resources; the tighter focal area strategic priorities, and an inclination for countries to try to fit 'safe' projects to ensure that the GEF will find them eligible. The Secretariat may find itself constrained in launching new initiatives as well.

Programmatic Approaches

A GEF programmatic approach represents a partnership between the GEF, the countries, agencies and other interested stakeholders, such as the private sector and donors. At its meeting of April 2008, the Council endorsed the **objectives and basic principles** for programmatic approaches¹⁹³, namely to secure larger-scale and sustained impact on the global environment through integrating global environmental objectives into national or regional strategies and plans using partnerships. The first three programmatic approaches under GEF-4 were approved in November 2007, before the principles of the programmatic approaches were approved in April 2008. So far, twelve programmatic approaches have been approved in GEF-4. Financial commitment still through individual PIFs that may be presented at the same time as the PFD or within a year. As most programmatic approaches were approved in April 2008 it is too soon to say if this will materialize. There is as yet no compelling evidence that it expedites projects and access to funds.

Programmatic approaches can cause delays in project delivery, when Agencies and countries are asked to wait for a program to be developed although PIFs are already in progress. This has affected the UNEP biosafety projects. For example, the preparation of the PAS PFD took more than a year. The current manner of applying programmatic approaches adds layers of bureaucracy to a process already perceived as complex and non-transparent. This, combined with the 50% rule and the four-year allocation, makes it more difficult to recognize the longer term perspective that a programmatic approach entails.

The programmatic approaches were originally envisaged because of likely coherence and impact, and in hope that they would help overcome barriers in the project cycle. During the RAF, however, the programmatic approach is increasingly considered a potential solution to RAF resource utilization problems, especially for group allocation countries in specific regions. Among stakeholders, 35 percent indicated that the use of programmatic approaches are "helpful" in promoting access to GEF funding under the RAF; at the same time, 23 percent found it a hindering factor and 29 percent found it can be both helpful as well as hindering.

Key principles. As the first principle, the Council established that programmatic approaches should be **country-owned** and build on national priorities. Large countries with individual allocations seem to have been able to achieve this for their national programmatic approaches, such as the India Sustainable Land and Ecosystem Management (SLEM) program, the China Biodiversity Partnership Framework, Russia and Vietnam.

In spite of the new policy on programmatic approaches, the approaches remain unclear to stakeholders. Some countries feel they need support in this shift to more programmatic approaches, including help to produce proposals that will qualify; and need for more and reliable statistical data. The lack of understanding of how to engage in a programmatic approach, of roles, responsibilities and consequences, causes hesitancy. According to feedback at the subregional workshops as well as in bilateral interviews, countries support the concept in principle, but raise a number of concerns, as do Agencies. Regional or

global programmatic approaches do not arise from country demand but are mainly encouraged by the GEF Secretariat.

Secondly, programmatic approaches should emphasize GEF's catalytic role and leverage of additional financing from other sources. For the regional multifocal programmatic approaches, much of the resource planning has centered on negotiations of how to use different GEF sources and how to package the program, from which focal areas, from country RAF resources, negotiating how much should be taken from the group allocation or from the global and regional exclusion, and so on.

A third principle is the open and transparent process of **multi-stakeholder representation**. Country stakeholders are still not sure about roles and responsibilities of entities involved and how the RAF allocation is used in this approach. The new role of the Secretariat in the design of program and inception of projects has caused some confusion among stakeholders. Participants in the subregional workshops in Africa posed questions on who is ultimately going to be accountable for ensuring access of funds by countries. Considerable more clarity is needed in terms of rules of engagement and how the GEF plans to implement the programs¹⁹⁴. Countries observed that "guidelines for the new programmatic initiatives have been slow to come which has also slowed the process of RAF implementation". The NGOs have noted that it is more difficult for civil society to engage with programmatic approaches than for projects.

A fourth principle is the **cost-effectiveness** of programmatic approaches. There is support for thematic programmatic approaches, such as for Sustainable Forest Management (SFM), Biosafety and Terrafrica. Transaction costs are higher with a programmatic approach. The efforts to launch a programmatic approach can be considerable. The PAS, Congo Basin initiative and the West Africa programs are all based on a number of ministerial meetings, workshops and consultations. The coordination work and PFD preparation are not recognized; Agency fees are available only for project PIFs. At times the programmatic approaches may decrease competition by forcing coordination. Some stakeholders noted that programmatic approaches are sometimes more difficult to link to the conventions, and that co-financing is especially difficult for global and regional projects. A programmatic approach that is purely regional may not achieve the same cost-effectiveness; the added impact compared to individual country projects is not yet demonstrated.

The main issue with programmatic approaches is the lack of transparency, and lack of consistent involvement of all three key parties – the Secretariat, countries and Agencies. Some programmatic approaches were not sufficiently discussed with the Agencies from the outset. The notion of programmatic approaches tends to be discussed at constituency meetings or bilateral meetings. In the Pacific, Agencies were invited to the Palau meeting (March 2008) to finalize the PAS and the World Bank serves as Lead Agency. For the African programmatic approaches most initial discussions and planning were bilateral. Directives have also been given to change the Implementing Agency both in Congo and for the PAS for a number of projects, although another Agency had already undertaken initial work in accordance with the government's wishes. This leads to delays in preparation and frustrations among Agency and country.

The bilateral relations between the Secretariat and focal points and ministers are appreciated, especially to clarify eligibility and funding. The problems arise when turning to the Agencies that are expected to do most of the work in preparing the PIFs and the program; and obtaining the funds needed, and this partner is not on board or informed of purpose and steps. The criteria for selecting the Agency are not clear, and in some cases the Secretariat plays this role. There are requests that the process should be open and cooperative from start, with an open marketplace for Agencies.

Especially complex are the financial arrangements. There are no specific rules, and deals can be made. Countries wondering how much they are asked to contribute to a regional program, and how much they

will get back. The regional programmatic approaches have engaged countries by promising the group allocation countries around US\$2 million in the focal area. This is less than the maximum that they can obtain (3.1 M US\$ and 3.5 M US\$) but more than 1M US\$, and is particularly interesting if they have not - or are not likely to - access any funds. If countries accept the 2 M US\$, then they cannot expect to get any more funds from the group allocation. The individual allocation countries, fewer in number, are also encouraged to join the regional program; and all countries may access additional funds from the global and regional exclusion, as well as funds from the other non-RAF focal areas. In turn, a mix of individual PIFs and regional projects will be provided. To meet the overall financial target of the program, considerable negotiations can ensue.

Global and regional programming

This section addresses the key question “How has the allocation to global and regional projects been implemented, and what has been its relationship with individual and group allocations?” Under the RAF, global and regional projects can be funded both from the global and regional exclusion (GRE) (5% exclusion from the formula) and from individual countries using country allocations for regional or global projects¹⁹⁵.

The historical allocation to global and regional projects was considerable higher than the 5% of funds set aside from the RAF formula in each focal area. The RAF provides 50M US\$ per RAF focal area for global and regional projects. Over the Pilot-GEF3 phase, a total of US\$389 million was allocated across 165 countries in biodiversity, and \$271 million in climate change. Historically, across all replenishment periods, resources for global and regional projects amount to 23% of biodiversity funds, and 20% in climate change focal area funds. As the use of global and regional resources has grown over the last replenishment periods, with GEF-3 shares at 29% in biodiversity and 37% in climate change¹⁹⁶, the GRE represents a dramatic drop.

The reduction in global and regional projects has particularly affected countries in Africa. African countries historically received the largest share of biodiversity global and regional resources (46%), as well as for climate change (37%). In biodiversity, Africa is followed by Latin America and the Caribbean (LAC) (33%) and then Asia (13%). In climate change, the Eastern European countries (ECA) (23%) received the second most resources and then Asia and LAC (20% each).

Within these regions, the countries now receiving individual allocations have historically used larger amounts of biodiversity (61%) and climate change (56%) global and regional resources. However, many smaller countries have been affected more by the reduction in access of these funds, because they were more dependent of regional support compared to their limited country projects (such as Burkina Faso, El Salvador, Lesotho, Kenya, Honduras).

By **Agency**, UNDP accounts for the largest share (44%, US\$166 million) of historical *regional* resources in the biodiversity focal area, while in climate change, the World Bank historically accounts for 46% of resources in regional projects. In the biodiversity focal area, UNEP accounts for 59% (\$106 million) of the resources in *global* projects from the Pilot phase to GEF-3, followed by the World Bank (30%). For climate change, the World Bank accounts for the largest share (40%, \$99 million), followed by UNDP/UNEP joint projects (29%) and UNEP (17%). This share has now dropped to 28% and 32% for UNEP in climate change and biodiversity, respectively.

As shown in table 10, the utilization of global and regional resources in the RAF focal areas exclusion appears marginal at mid-point of GEF-4 (biodiversity \$8 million and climate change \$ 27 million). For biodiversity and climate change respectively, this is 1% and 2% of all global and regional resources, as compared with historical shares of 25% and 21%. Outside of the RAF, there has been a growth in regional projects from 34% to 64% of global and regional resources in a replenishment period. So far, 15 global and regional projects have been approved under RAF.

Table 10: Focal Areas shares of Global and regional resources, over Time			
	Pilot to GEF3	GEF3	GEF4 mid-point
Biodiversity	24%	9%	1%
Climate Change	20%	8%	2%
Multi-focal Areas	66%	8%	13%
Non RAF	56%	13%	27%
Total Global & Regional (US\$ million)	\$ 2,243	\$ 1,112	\$ 560

Guidance and transparency on global and regional programming have not been adequate.

In 2006, the RAFT agreed that “a flexible approach, encompassed by a set of common understandings, was the pragmatic way to approach the issue of programming global and regional projects”. Later, guidance was not made available as expected, for criteria for global and regional projects; a set of guidelines; the criteria for committing funds to global and regional projects, and how they are managed, and a clear set of policies “..could be defined for their use in the context of the revised focal area strategies”¹⁹⁷. The Africa subregional workshop in June 2008, noted that “The guidelines for funding of global and regional projects remain unclear.”

Some resources were committed elsewhere from the outset, as one interviewee called “taxation of the focal areas”. For example, in the Climate Change focal area, in, the GEF Council approved a Strategic Pilot on Adaptation (SPA) in 2004, but had not managed to spend the global commitment of \$50m in GEF-3. It was decided in the GRE guidelines that the estimated remaining \$23 million would be funded out of the GRE, although SPA projects are in general single country projects. It remains difficult to discern in GEF monitoring reports and in work programs which funds are being used for what, and from what source. Decision making and prioritization for the GRE by the Secretariat is not transparent to stakeholders. Most of the funds appear to have been committed; Agencies, countries and convention secretariats have been told that there is no money left. Some funds are being held for programmatic approaches.

The current application of GRE is changing the nature of global and regional programming under RAF. ‘Global projects’ are of worldwide scope that would not be funded otherwise by individual countries, such as projects that generate global knowledge, or transform global markets. ‘Multicountry projects’ are funded through contributions from countries and country group pools with benefits that go beyond each country, and justified on the basis of cost-effectiveness.

At the start of GEF-4, several global projects were approved that had been under preparation for some time. The regional projects funded from the GRE so far mainly concern the Pacific Alliance for Sustainability. With the growth of regional programmatic approaches, there appears to be a movement away from projects that address problems that are transboundary or common to several countries, or that complement or enhance country activities.

The introduction of RAF changed the nature of many regional and global projects under development, disrupting the preparation of some global and regional projects. In the cancellation of the 2007 pipeline 30 projects were global or regional. The pipeline planning exercises came to an end, and there are now no criteria for selection.¹⁹⁸ For example, the 2006 **Biosafety** Strategy, which responds to the Protocol, emphasizes the importance of regional approaches. This has become difficult to implement under RAF due to the limitations on Global and Regional Programs. Another issue is the concern about invasive species, for which cross-border funding is essential.

The reduction in corporate funds for global and regional projects means that there is some pressure on countries to contribute with RAF country resources to such initiatives. The global and regional resources that have been approved from the set-aside are complemented by RAF resources from the biodiversity and climate change focal areas. In the pipeline at the start of GEF-4 there were a number of global and regional projects. In the teleconferences between the focal points and the GEF Secretariat in 2006-2007, 47 such projects were discussed. For the majority, the countries were told that endorsement from the other countries would be needed. Depending on the source of funds (GRE or country RAF), it was not clear to many countries who would do the negotiation of such endorsements.

The RAF constitutes a disincentive for regional or global projects. Given the reduction in funds available corporately, it was assumed during design that countries would voluntarily provide funds from country allocation, especially for the group allocation countries¹⁹⁹. This assumption is not holding up. It has become more difficult to organize regional projects for a number of reasons provided to the mid-term review:

- **A disinclination by countries to give up their country allocation**, however small. No matter the message that the allocations are not entitlements, they tend to be seen as such at the country level. In a few cases, single country projects were approved along with resources for a global or regional component²⁰⁰. The pooling of country resources has so far been done with considerable encouragement from the Secretariat and in part from Agencies, not voluntarily requested.
- **Regional cultural barriers to cooperation.** In some regions, as in South East Asia, regional cooperation has a long history. This is not the case in all subregions, hence, these relationships can be uneasy and ‘forced’.
- **The uneven RAF distribution** of funds. For example, South Africa has an individual allocation but is surrounded by countries which are in the group allocation. This makes it difficult to partner collaboratively with neighboring countries which have access to limited GEF funding.
- **Past negative experience** with global and regional projects. Global and regional projects may receive less attention because they are more difficult to implement.

Ultimately, there are very different views of the ‘right’ level of global and regional programming – and its rationale. As a facility on global environmental issues, one might expect the GEF to emphasize activities of a cross-border nature. However, at the time of RAF design, the main discussion centered on the RAF as a performance-based system for *individual* countries. The level of funding to global and regional projects may not have been quite clear during the RAF design process. In the design discussion, it had been proposed to create separate line items for the global and regional projects, like for the SGP and support cross-cutting capacity building. The Secretariat had originally proposed 12% for the GRE in each focal area. There does not seem to have been any specific rationale or discussion behind the 5% set-aside for the GRE. The global and regional projects do not appear to have had strong proponents in the design process, while being perceived as more complex.

One issue of concern for a PBA may be the perception of performance of such projects compared to individual country projects. Based on the terminal evaluation reviews undertaken by the GEF Evaluation Office²⁰¹, the global and regional projects have lower outcome ratings (single country projects 85% vs. 70% marginally satisfactory and above); but are less affected by risks to sustainability (63% vs. 48% marginally likely and above)²⁰².

The Delphi expert panel supported increased funding for capacity building (average response 6.71 on scale of 1-10); and for regional projects (average 7.2). Stakeholder comments supported the need to level the playing field and to address multi-country problems. International NGOs also suggest increased funding to deal with transboundary issues.

A reduced GRE level would benefit the top ranked individual countries but push more countries into the group allocation. A mixed picture emerges from simulations of *other* levels than 5% of GRE for the initial RAF allocation:

- If *all* focal area funds were provided to countries (with zero GRE): In biodiversity, the number of individual allocation countries would decrease from 47 to 39, and these would see their allocation increase with 4.08% as compared to their initial RAF allocation. Eight more countries would fall into the group allocation, but would share a higher pot for the group. In climate change, with zero GRE, the pattern would be more extreme. It would push 17 countries into the group allocation, increase the individual country allocation with 5.65%, and fix the maximum group allocation at 4.9 M US\$.
- If, on the other hand, the GRE allocation were increased to approximate historical levels, all the top-ranked and lower-ranked countries would receive less. With a set-aside of 18% in each focal area, 28 countries would move up from group allocation to individual allocation in biodiversity (though the individual allocation countries would receive somewhat less²⁰³), and the remaining group allocation countries could only access a maximum of 1.6 MUS\$. In climate change, 43 countries would move up to individual allocations, and the remaining group would have 1 M US\$ each. China would still remain at the ceiling with 150 M US\$, and other countries would get somewhat less in dollar amounts.

Enabling activities

Enabling activities provide financing for the preparation of a plan, strategy, or program to fulfill commitments under a global environmental convention, or the preparation of a national communication or report to a convention.

The decrease in Enabling Activities over the last four years seems to be more linked to the cyclical nature of the convention requirements than to the RAF. During GEF-4 until midpoint, 21 enabling activities have been approved, of which 10 are in biodiversity, five in POPs, and six are for National Capacity Self-Assessment (NCSA) for Global Environment Management (multifocal area). From the pilot phase to GEF-3, 817 enabling activities represent a GEF allocation of \$268 million, of which 34 percent and 31 percent are in biodiversity and climate change, respectively²⁰⁴. For many if not most countries, the GEF support thus far has primarily comprised of enabling activities.

Approval of enabling activities fluctuates based on periodic reporting to the conventions. The latest convention guidance on GEF enabling activities in climate change is dated November 2003 from COP 8, and from October 2000 for biodiversity. Expedited GEF procedures involve decentralized project approval of enabling activities under an umbrella program for about 130 countries, approved April 2004. The climate change guidelines establish three to five years between the initial disbursements of financial resources for the first national communication before applying for subsequent financing. Many countries are thus still developing national communications with funding prior to GEF-4.

In principle, the RAF provides sufficient funds per country to undertake enabling activities in each focal area. It is too soon to say, however, how the enabling activities will be affected in practice. The GEF-4 biodiversity EAs have an average budget of \$0.28 million. The average enabling activity has ranged from 0.16 M to 0.33 M US\$ in biodiversity and climate change. The latest cap on funding was \$350,000 for an expedited enabling activity in biodiversity; and 405,000 US\$ for climate change, which is within the 1M US\$ potentially available for RAF group allocation countries. Countries with larger financial needs for national communications, such as China and India, have been able to approve enabling activities as non-expedited, with larger amounts. These now have individual RAF allocations. The responsibility now lies with the countries to establish RAF pipeline priorities in line with their national priorities and obligations under the conventions. Historically there has been high demand from countries

for enabling activities, as well as appreciation for their usefulness²⁰⁵. However, requests for enabling activities were not done in competition with project funding for MSP or FSP.

Access to funds for convention obligation will be more challenging for group allocation countries. The revised rules²⁰⁶ indicate that projects submitted after December 31st, 2008, “may be endorsed, at the discretion of the CEO and where funding allows”. If a country has already used its allocation for other projects, or if the overall group allocation is short of funds, resources for enabling activities will be in jeopardy in the case of new COP guidance. COP guidance has not yet been issued for the 3rd national communication to the UNFCCC, and for the next CBD report. The level of resources needed would make a difference. For example, if a group allocation country uses 350,000 US\$ for an enabling activity, there would be little left to access for another project of meaningful scope. Group allocation countries have been relatively more dependent on enabling activities. If a country’s allocation is not sufficient, it may also affect the quality of the report to the convention.

At the launch of RAF, there was a lack of clarity on whether (and which) enabling activities fall under the RAF. The existence of other funding windows (NAPA under the SCCF and the corporate program for EA) contributed to confusion. Recognizing the risk of competition in funding, it has been suggested to provide enabling activity funds as exclusion to the RAF. Both Convention secretariats have raised suggestions to this effect²⁰⁷. A set-aside fund would, however, require knowledge of needed amount at the start of a replenishment phase.

The predictability of funding *needs* is an issue as well as predictability of funding *availability*. The UNFCCC Secretariat indicated to the review that feedback is needed from the GEF Secretariat about the availability of RAF resources, so that COP can generate guidelines for the third national report. On the other hand, the GEF bases the amount of resources for national communications on climate change on the Convention requirement and “The guidelines approved by COP [...] will form the basis for funding of proposals from eligible non-Annex I Parties”²⁰⁸.

The main concern regarding convention obligation under RAF is for biosafety. The Biosafety Protocol is the only protocol fully supported by the GEF as the financial mechanism, and is covered by the RAF biodiversity allocation. On the operations and activities of the biosafety clearing-house, the COP recently urged the GEF “to provide additional support from sources other than the RAF for capacity-building activities in the developing countries, in particular the least developed and small island developing States among them, and countries with economies in transition”²⁰⁹. Measures that facilitate consideration of regional and subregional projects developed by countries of the region were suggested. Past support was efficiently provided through an umbrella program by UNEP. Capacity was built during the implementation of this global project, but now there seem to be limited funds for the implementation of plans and project proposals. The RAF appears to have slowed down the momentum created by the previous global biosafety project. The average cost of the implementation plans is around US\$ 600,000, which is not possible to fund within the RAF allocations for most countries. So far, ten biosafety projects have been approved under GEF-4, most (7) as part of the *Regional Project for Implementing National Biosafety Frameworks in the Caribbean Sub-region - under the GEF Biosafety Program*.

The discussion on priorities within the RAF highlights an underlying tension between the focus on obligations and on results. Ultimately, there may be different expectations from donors and Parties on what constitutes GEF effectiveness. The key indicator of GEF success for the UNFCCC is the preparation and approval of national communications, whereas the main thrust of GEF focal area strategies is positive impact on the global environment. The Climate Change Program Study 2004 found that “Apart from their use for reporting to the Convention, the National Communications do not seem to have been valuable in guiding programming” (GEF EO 2004b). With limited funds, countries are faced with

a difficult choice between potential achievements from GEF assistance on environmental impact or of national reports.

The small grants programme (SGP)

During the third phase of its operation (Operational Phase, OP3, until end 2007), the SGP received almost all of its GEF support through core funds. During OP4 the SGP needs to access a substantial proportion of potential GEF support through RAF country allocations. Rules framed by the SGP steering committee established in 2006, regulate the manner in which GEF resources can be accessed through core funds and RAF country allocations and should be utilized and affected SGP operations as described below. See Technical Paper #6 on the SGP.

So far, the SGP has accessed 18M US\$ from RAF allocations. The rules regulating access and utilization of RAF resources have constrained SGP from accessing GEF resources through RAF country allocations. As a result, it is likely that during GEF-4 SGP will be able to access only about US\$ 62-68 million from RAF country allocations. This is lower than the US\$ 90 million that was expected as per the 'Programming Document for the Fourth Replenishment of the GEF Trust Fund.'

The SGP portfolio is shifting because RAF funds can only be used in the focal area providing the funds, climate change or biodiversity. Overall, the proportional investment in projects pertaining to climate change focal area has increased significantly, whereas there has been a moderate increase in the investments in the biodiversity focal area. SGP investments in other focal areas have declined. The project portfolios of 'RAF funds only country programs' have been the most affected. Project portfolios of 'RAF/Core funds country programs' were moderately affected whereas those of the "core funds only" country programs remained unaffected. See **table 11**.

**Table 11: SGP project portfolio - amount invested in different focal areas during OP4
(figures for OP3 in parentheses)***

Country program type	BD	CC	IW	LD	MF	PP
RAF funds only programs (17)	75% (57%)	23% (9%)	0% (1%)	0% (11%)	2% (18%)	0% (5%)
Both RAF and core funds programs (47)	46% (44%)	31% (18%)	1% (7%)	15% (17%)	7% (11%)	1% (3%)
Core funds only programs (44 LDC/SIDS and 16 others)	41% (43%)	14% (13%)	10% (6%)	21% (22%)	10% (12%)	4% (3%)
All country programs	51% (46%)	24% (15%)	4% (6%)	13% (18%)	7% (13%)	2% (3%)

*Figures for OP4 are based on 984 projects for which data was available. The figures for OP3 are based on data for 1933 projects.

At the overall global program level, the predictability of funding has improved, especially for management activities. At the country program level, however, a significant proportion of the coordinators from of "RAF/core funds" country programs report that after implementation of RAF predictability of funding allocation for their programs has declined. A majority of national coordinators also felt that after RAF transparency in allocation of funding has improved.

The country program expenditure caps introduced by the SGP steering committee for GEF-4 have affected at least 11 country programs. Compared to the OP3, the per annum expenditure by these programs on project grants has declined. Due to lower levels of operation, management costs of these programs increased from 13.5 percent during OP3 to 14.8 percent during the first year of OP4.

The need to access resources from the RAF country allocations has encouraged the SGP to seek greater involvement and engagement with the GEF operational focal points and relevant government departments of the participating countries in RAF funds only and “RAF/core funds” country programs. On one hand this has provided SGP opportunities to mainstream and upscale its experience through government agencies, on the other it has made SGP vulnerable to government influences.

Implementation of RAF has increased the workload of the SGP staff both at the country program and global program level, of which some of the work load due to additional reporting requirement and need to interact more intensively with the government agencies is likely to persist.

6.5 Cost Effectiveness

This section describes the costs of the RAF and some aspects of likely cost-effectiveness. Its observations are preliminary because the RAF is new. The section covers the costs of transition to the RAF and the likely on-going costs.

Costs of the RAF

Costs vary from minor (staff time and consultations costs) to potentially major (opportunity costs of delays in the granting program).

Costs 1: Design, Transition and Administrative costs. Transition costs from the old system to the new RAF system were expected to be larger than the costs in an ordinary year. However RAF design and development costs are difficult to separate from GEF’s ordinary operating costs. Much of the work in developing the RAF is not visible in the accounts, including costs of the Technical Working group, the interagency task force, and the mid-term evaluation review team. The RAF was an important item in five Council meetings, two Paris consultations, and several sub-regional workshops.

The common experience of organizations that operate a performance-based allocation system is that administrative costs range from about one million dollars per year to about one and a half million.²¹⁰ GEF’s experience in the first year of implementation of the RAF has been similar. The direct costs amounted to approximately 1.3 million US\$²¹¹ over several years for Secretariat staff costs (35%), WB DEC work (31%), and travel costs for Council meetings (22%). There is a balance of 383.000 US\$ as of July 2008 of the approved special initiative budget of US\$1,716,000.00.

On-going maintenance of the RAF as a PBA system by the GEF Secretariat²¹² will be less costly than the transition has been. Nevertheless experience in other agencies has shown that a PBA is always a living evolving system because it is so central to the strategy and priorities of the organization. It will probably be an important topic in replenishment consultations for the foreseeable future, for example. Therefore development costs will probably continue for some time.

Costs 2: Focal Point consultations costs. Consultations enable the RAF to exert influence and provide incentives to member governments. Therefore the costs of the focal point system may increase. The funds that GEF Operational Focal Points have for awareness activities and consultations (8000 US\$) may be insufficient because of the demands of the RAF. These costs are not necessarily in proportion to the size of the portfolio or the allocation; a minimum level of discussion on RAF priorities is needed in all cases.

Costs 3: Agency costs and pipeline costs. In the short term, costs have increased for the Agencies. The Agencies have taken on additional tasks of explaining RAF arrangements, and working within RAF constraints. There have been costs of revisions and re-endorsements of projects in the pipeline to respond

to the RAF. Some of the re-endorsements are likely one-time costs related to the establishment of the new RAF system.

Agency fees were reduced to a flat percentage of the project budget in GEF-3, with no possibility of negotiation as was the case previously. At the same time, the corporate budget was abolished for the three Implementing Agencies. This budget was used for portfolio monitoring, support to GEF policy development, coordination and cross-support to projects. These changes, while perhaps justified on their merits, leave the Agencies with little financial flexibility to adapt to new systems like the RAF. However, additional Agency costs are not all attributable to the institution of the RAF. Many are the consequence of frequent changes in rules during the same period.

Additional costs, not closely related to the RAF as such, may have affected the Agencies' incentives to undertake GEF work. For example, the new programmatic approaches that are encouraged by the GEF Secretariat are not fully covered by fees. Some of the cost pressure during the transition to RAF, including some shifts in country concentration of resources, may have contributed to utilization problems.

Potential inefficiencies of two RAFs and special-purpose funds

RAF has established a "firewall" between GEF's two largest focal areas. This adds to the complexity of multifocal area projects. Access to all these different funding 'windows' depend on various criteria of eligibility, country classification; historical participation in GEF; signature of conventions, and so on.

The GEF also manages a number of separate funds – the SCCF, the LDC funds, the Adaptation Fund – a separate window, and the SPA on the same subject (taken from RAF funds). Adaptation activities can be financed through the SPA, the LDCF, the SCCF, and shortly the CDM – and enabling activities or regular projects – but not the climate change RAF. Some funds are accessed directly for country projects, while for others countries have to go through corporate programs, which may be regional or global, with separate procedures. The support fund for the focal points is accessed through UNDP.

Some of these special funds are underutilized. Their relationship to the RAF, if any, is unclear. All carry different procedures and modalities; so that it is not difficult to understand why some stakeholders find the whole non-transparent and inaccessible.

The opportunity costs of delay in the granting program

GEF projects generally have high economic rates of return. Therefore when grants are delayed the hidden costs (the opportunity costs) can be large. In fact, this may be the largest, although invisible, cost of the transition to the new RAF. The slow utilization of resources, which may have been partially a result of the institution of the RAF, has serious implications for effectiveness. Delays may be a temporary phenomenon during transition but they may also be partly a result of insufficient flexibility in the design of the RAF itself.

Impact and cost effectiveness

The cost effectiveness of the RAF will depend mainly on whether or not it improves GEF's impact. It is too early to tell whether impact will in fact be better. In the short term, RAF has yielded benefits in terms of better planning and ownership in some countries. It has improved predictability of funding for individual allocation countries. Some countries with large allocations have been able to bring more coherence to their portfolio.

As few projects have been approved, and even fewer started, it is impossible to say if they will be better implemented or generate more global environmental benefits. Some trends are positive, though they are not quantifiable in financial terms. These include a broader composition of Agencies in the portfolio, new projects based on national priority setting, and broad coverage of countries.

On the other hand, these are offset by some unfavorable trends. RAF may have encouraged a broader spread of resources, smaller projects and an entitlement mentality among some member governments. If so, these factors could inhibit the efficiency of GEF resource allocation. The RAF has not benefited from significant involvement by NGOs, civil society and the private sector, with a consequent loss in opportunities to broaden the effectiveness and range of GEF resources.

The cost-benefit of the RAF has not yet been fully demonstrated compared with the previous system or with other PBA systems, in terms of value for money. In future implementation of the RAF, cost-effectiveness can be enhanced by increasing overall funds and country allocations (same effort but more benefit); decreasing efforts to access existing funds (same benefit but less effort; or preferably, both of the above).

Simulations of different replenishment amounts (from 900 million US\$ to the formula which is currently the case, to 1 billion US\$, 1500 M US\$, 1800 M US\$, and 2000 M US\$) show that if there is more money in the system, the RAF formula would push countries into the group allocation, because of the nature of the 75% rule. Without the 75% rule, but with more funds, many more countries could potentially receive a reasonable individual allocation. With, for example, a group cut-off point at 4 million US\$, with a high highest replenishment scenario, the GEF could provide sizable individual allocations to no less than 70 countries in climate change and 87 countries in biodiversity (see statistical annex on simulations).

Endnotes:

Chapter 2

¹ The full Council decision is contained in Annex I of the Joint Summary of the Chairs of the Special Meeting of the Council, August 31-September 1, 2005.

² GEF Council, *Summary of Negotiations on the Third Replenishment of the GEF Trust Fund*, Annex C, para.16 GEF/C.20/4 (2002)

³ Ibid, Annex I and II; See also GEF Council, *The Resource Allocation Framework*, November 8 – 10th, 2005, para.30 – 32 GEF/C.27/Inf.8/Rev.1 (2005)

⁴ *Terms of Reference for the Mid-term Review of the RAF*, GEF/ME/C.32/6/Rev.1, November 21, 2007, approved by the GEF Council.

⁵ Atlas-ti – see www.atlasti.de

⁶ Policy Recommendations for the Fourth Replenishment of the GEF Trust Fund, GEF/A.3/6 Annex A, # 19

⁷ Policy Recommendations for the Fourth Replenishment of the GEF Trust Fund, GEF/A.3/6 Annex A, # 14

⁸ Joint Summary of the Chairs, Special Meeting of the GEF Council, August 30 – September 1, 2005.

⁹ GEF/C.27/INF.8/REV.1, The GEF Resource Allocation Framework, October 17, 2005.

¹⁰ The policy recommendations are adopted by the 32 donors of the GEF. See GEF/C.20/4, Summary of Negotiations on the Third Replenishment of the GEF Trust Fund, Annex C.

¹¹ Beijing Declaration of the second GEF Assembly, 18 Oct 2002, para.10.

¹² Nov 2003, GEF/C.22/11, Joint Summary of the Chairs

¹³ Council Joint summary of the chairs, November 2003 and May 2004.

¹⁴ The final Council decision, September 2005.

¹⁵ Joint Summary of the Chairs, November 2003, Item 14, page 5.

¹⁶ The final Council decision, September 2005.

¹⁷ RAF at a Glance, GEF Secretariat website, May 2008, and CEO letter to OFPs 8 August 2006.

¹⁸ Joint Summary of the Chairs, Special Meeting of the GEF Council, August 30 – September 1, 2005.

¹⁹ Policy Recommendations for the Fourth Replenishment of the GEF Trust Fund, GEF/A.3/6 Annex A, #14

²⁰ Chair's Summary of the Third GEF Assembly, Cape Town, South Africa, August 29-30, 2006, and Co-Chairs' Highlights of Roundtable 3: Identifying National Priorities and Allocating Resources to Enhance Results at the Country level.

²¹ Joint Summary of the Chairs, June 8, 2005, Annex A, from Switzerland.

²² Joint Summary of the Chairs, June 8, 2005, Annex A, from constituency comprising Azerbaijan, Kazakhstan, Kyrgyz Republic, Switzerland, Tajikistan, Turkmenistan and Uzbekistan. The Council Member representing Austria, Belgium, Czech Republic, Hungary, Luxembourg, Slovak Republic, Slovenia and Turkey fully supported the statement.

²³ Joint Summary of the Chairs August 2005, Annex III, Statement from Germany

²⁴ Summary of the Co-Chairs, Meeting on the Third Replenishment of the GEF Trust Fund, Washington D.C., August 6-7, 2002.

²⁵ Joint Summary of the Chairs August 2005, Annex III, Statement from Germany

²⁶ Joint Summary of the Chairs August 2005, Annex IV, Statement by Council Member representing Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay.

²⁷ Joint summary of the Chairs

²⁸ COP, UNFCCC Bali, November 2007; and CBD Bonn, May 2008.

²⁹ Examples include IFAD's RIMS; UNDP's RBMS; and the ADB PPMS. From Monitoring: Overview of Approaches in the GEF Family, GEF EO, February 2006

³⁰ Results-based management in the United Nations in the context of the reform process, JIU/rep/2006/6. Includes initiatives such as "Results-based management" United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA), World Food Programme (WFP); and "Results-based programme planning and management" United Nations Children's Fund (UNICEF); and "Results-based budgeting" (United Nations Secretariat).

³¹ DP/2008/14, Information on TRAC-2 allocation and methodology and criteria for establishing fixed lines in the programming arrangements, 14 Dec 2007

³² The *RAF document*: "No macroeconomic indicator is included in GPI; should the GEF Council wish to approve a policy permitting GEF financing for budgetary support [...] a macroeconomic indicator will need to be included..".

³³ The UN Evaluation Group is currently concluding an Evaluability Assessment of eight "Delivering-as-one" pilots as part of an Evaluation of the Pilot Initiative for Delivering as One.

³⁴ Participating global programs include: The Cities Alliance, The Consultative Group on International Agricultural Research, The Fast Track Initiative for Education for All, The GAVI Alliance, The Global Environment Facility, The Global Fund to Fight AIDS, Malaria and Tuberculosis (convener).

³⁵ New York Times Article, *China's Shift on Food Was Key to Trade Impasse*, by Stephen Castle and Keith Bradsher, July 31, 2008

³⁶ GEF/C.24/ 8, *GEF Resource Allocation Framework*, October 26, 2004.

- ³⁷ *Scaling up: aid fragmentation, aid allocation and aid predictability*, Report of 2008 survey of aid allocation policies and indicative forward spending plans, OECD development assistance committee, Prepared by OECD development co-operation directorate, May 2008.
- ³⁸ CBD COP-9: Namibia on behalf of the African Group on: 4.16 Guidance to the financial mechanism of the Convention
- ³⁹ COP 9 Decision IX/31, May 2008
- ⁴⁰ UNEP/CBD/COP/9/INF/20, by Stratos, 7 February 2008
- ⁴¹ Where? "Financing Development 2008: Whose Ownership?", OECD Development Centre, Chapter two: Ownership in the Multilateral Development-Finance Non-System, by Helmut Reisen, May 2008.
- ⁴² The CIF include the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF). The CTF will finance the deployment and transfer of low-carbon technologies in the power and transportation sectors, and energy efficiency in buildings, industry and agriculture. The SCF will provide financing to pilot new development approaches or to scale-up activities aimed at a specific climate change challenge through targeted programs.
- ⁴³ The first projects or programs to be financed by the new funds should be known by the end of December 2008 as the CIF becomes operational.
- ⁴⁴ The GEF Instrument
- ⁴⁵ GEF/C.33/12, *Operational Policies and Guidance for the Use of Non-Grant Instruments*, March 26, 2008, paragraph 15.
- ⁴⁶ COP 9 Decision IX/14, May 2008
- ⁴⁷ Study of Local Benefits; GEF private sector study; Costa Rica Country Portfolio Evaluation, Joint evaluation of the activity cycle, 2004 APR, GEF EO.
- ⁴⁸ The first *Annual Monitoring Review Report* (GEF/C.33/4) was presented at the April 2008 Council meeting.
- ⁴⁹ GEF/C.30/9, *Roles and Comparative Advantages of the GEF Agencies*, December 2006.
- ⁵⁰ GEF/C.33/8, Review of Administrative Expenses Allocated to GEF Implementing Agencies, April 2008.
- ⁵¹ CRP/R.3/CRP.3 "Suggested U.S. language for performance-based allocations", May 2002.
- ⁵² Representatives from France, US, Bangladesh, Argentina, Cameroon, China, as well as STAP.
- ⁵³ Interim Report of the Technical Working Group September 2003: Performance Based Framework for Allocation of GEF Resources GEF/C.22/11 and Joint Summary of the Chairs
- ⁵⁴ Letter to Council, W.E. Schuerch, US Treasury, 16 October 2003.
- ⁵⁵ Performance Based Allocation Framework for GEF Resources GEF/C.23/7 and Joint Summary of the Chairs.
- ⁵⁶ Also called bands or quintiles. A quintile is one fifth or 20% of a given amount.
- ⁵⁷ A number of written comments from Council members had been submitted before the seminar, from Colombia (June 29, 2004); Colombia (June 30, 2004), Denmark, France, Germany, India, Netherlands, Pakistan. Before the Paris meeting, Canada and G-77 provided comments.
- ⁵⁸ *GEF Resource Allocation Framework*, August 5, 2004, Annex 7: Legal opinion of the GEF Legal Counsel
- ⁵⁹ CRP, *Additional issues for operationalizing the GEF resource allocation framework*, Paris Seminar September 27-28, 2004.
- ⁶⁰ Bolivia Council member letter, no date.
- ⁶¹ Council Meeting, November 2004: GEF Resource Allocation Framework GEF/C.24/8 and Joint Summary of the Chairs
- ⁶² Paragraph 37 of the Rules of Procedure for the GEF Council, stipulates that if motions are passed, voting can only take place at the following Council. Motions need a double majority to pass.
- ⁶³ Belgium, Bolivia, Canada, Colombia, India, Mexico, Spain, Switzerland, United Kingdom, United States, as well as UNFCCC and the NGO Network.
- ⁶⁴ GEF Consultations on Resource Allocation Framework March 2005 (Paris, France): Agenda, Discussion Note on the Resource Allocation Framework, Note on the GEF Council Consultations on the RAF, Non-paper towards a draft decision on RAF by interested parties
- ⁶⁵ The group behind Motion B produced a "non-paper" which reflected progress on the "trigger" issue, suggesting percentages of 48 in biodiversity and 62 in climate change to individual countries.
- ⁶⁶ Council Meeting, June 2005: Joint Summary of the Chairs, Agenda Item 13: Resource Allocation Framework GEF/C.25/8, Resource Allocation Framework Addendum GEF/C.25/8/Add.1.Rev.1, Resource Allocation Framework- Technical Notes and Clarifications GEF/C.25/Inf.10, Working draft of Council decision on RAF GEF/C.25/CRP.1, Secretariat Proposal on RAF GEF/C.25/CRP.5
- ⁶⁷ Joint Summary of the Chairs June 2-3 2005: annex, Comprising Azerbaijan, Kazakhstan, Kyrgyz Republic, Switzerland, Tajikistan, Turkmenistan and Uzbekistan; and supported by Austria, Belgium, Czech Republic, Hungary, Luxembourg, Slovak Republic, Slovenia and Turkey. The Council also noted the statement by the NGO network.
- ⁶⁸ Technical Note on the GEF Resource Allocation Framework GEF/C.26/2/Rev.1; Joint Summary of the Chairs. The full Council decision is contained in Annex I of the Joint Summary of the Chairs (dated 18 October 2005) of the Special Meeting of the Council, August 31-September 1, 2005.
- ⁶⁹ GEF/C.26/2/Rev.1, *Technical Paper on the GEF Resource Allocation Framework*, 24 August 2005. Amendments were subsequently introduced as GEF/C.27/Inf.8/Rev.1, dated October 17, 2005) for the GEF Council meeting in November, 2005. This document describes the GEF Resource Allocation Framework as adopted by the Council.
- ⁷⁰ CRP, *Additional issues for operationalizing the GEF resource allocation framework*, Paris Seminar September 27-28, 2004.

⁷¹ The GEF RAF, GEF/C.27/Inf.8/Rev.1 ("the RAF document", approved), and GEF/C.27/5/Rev.1 *Implementing the GEF resource allocation framework*.

⁷² Progress report on the Implementation of the RAF, GEF/C.28/12

⁷³ Summary of Negotiations on the Fourth Replenishment of the GEF Trust Fund, GEF/C.29/3 + GEF/A.3/6

⁷⁴ There were 180 concepts (including the CEPF which is awaiting formal approval by the Council into the work program), totaling about \$1.7 billion, in the GEF pipeline, with 119 of them having PDF-Bs approved for project preparation.

⁷⁵ CEO letter 7 October 2006 to focal points.

⁷⁶ Minutes, Meeting 7 November 2006. ,Executive coordinator meeting

⁷⁷ GEF/C.30/3- Rules, Procedures and Objective Criteria for Project Selection, Pipeline Management, Approval of Sub-Projects, and Cancellation Policy

⁷⁸ CEO email to Agencies 14 December 2006.

⁷⁹ 16 July 2007, GEFSec first report "GEF Programming Report for the Period January 1-June 30, 2007" for reporting on GEF approvals as agreed at June 2007 Council Meeting

⁸⁰ Biodiversity: Guatemala, Nicaragua; and Climate Change: South Africa; and deferral of some projects in the pipeline due to the 50% rule: Biodiversity: Brazil, South Africa, Costa Rica, Paraguay; and Climate Change: Brazil, Indonesia.

⁸¹ This scheme aims to avoid an interruption in the GEF's financing commitment, and happens when one-quarter of the amount of instruments of commitment (IoC) received becomes available (at least special drawing rights (SDR) of 310 million).

⁸² Equivalent to SDR 2.14 billion.

⁸³ USA and Belgium; not deposited: Italy, Nigeria and Pakistan.

⁸⁴ Instrument for the Establishment of the Restructured Global Environment Facility, 1994.

⁸⁵ By the second meeting in January 2006, the UNFCCC Secretariat had certified the eligibility list, and shortly thereafter the Executive Secretary of the CBD agreed on the list of eligible countries under the CBD as "those countries that are eligible under paragraph 9 (b) of the GEF Instrument minus the list of developed countries of the CBD".

⁸⁶ Estonia, Hungary Latvia and Lithuania. Hungary and the Czech Republic were initially eligible for GEF financing in the climate change focal area.

⁸⁷ Focal Point letter of 4 January 2008 to CEO.

⁸⁸ Bahamas, Bahrain, Barbados, , Cook Islands, Cuba, Cyprus, Czech Republic, Estonia, Hungary, North Korea, Kuwait, Latvia, Lithuania, Malta, Nauru, Niue, Oman, Poland, Qatar, San Marino, Saudi Arabia. Singapore, Slovenia, Tuvalu, United Arab Emirates.

⁸⁹ Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, San Marino.

⁹⁰ Equatorial Guinea, Serbia and Montenegro, Marshall Islands, Korea-south, Nauru, Cook Islands, Estonia, Angola, Bosnia and Herzegovina, Micronesia, Myanmar, Singapore, San Marino, Israel, United Arab Emirates, Cyprus, Kuwait, Qatar. In biodiversity, four eligible countries have not benefited from past GEF assistance (Libya, Myanmar, Montenegro, East Timor).

⁹¹ http://www.oecd.org/document/45/0,3343,en_2649_34447_2093101_1_1_1_1,00.html

⁹² Instrument for the Establishment of the Restructured Global Environment Facility, 1994, paragraph 7.

⁹³ In the case of a State contributing to the GEF Trust Fund, an instrument of commitment shall be deemed to serve as an instrument of participation.

⁹⁴ Angola and Oman in biodiversity. In climate change, Angola, Bahrain, Cyprus, Kuwait, Oman, Qatar, San Marino, Saudi Arabia, Singapore, United Arab Emirates.

⁹⁵ *Scaling up: aid fragmentation, aid allocation and aid predictability*, Report of 2008 survey of aid allocation policies and indicative forward spending plans, OECD development assistance committee, Prepared by OECD development co-operation directorate, May 2008. US (128 partners), Japan (135). Canada, France, Germany, The Global Fund, UNICEF, UNDP and UNFPA each work in over 100 partners; Greece, Luxembourg, New Zealand, AsDF, AfDF, and IDB each work in fewer than 50 partners.

⁹⁶ These are small states (Micronesia Federal States, Marshall Islands, San Marino and Tuvalu).

⁹⁷ Of the 17 countries only Cuba, Korea DR and Cambodia have their GBI used in formula; they receive individual climate change allocations. The other countries are included in the group under the paragraph 26 of the RAF, and their carbon intensity ratio and baseline emission are not used for allocation. Maldives has a low GBI and is allocated in the group.

⁹⁸ Grenada, Solomon Islands, Tonga, Congo DR. The EO informed the CEO of this by email in June 2008, and the data for the four countries and amount for Congo DR were amended accordingly in the reallocation.

⁹⁹ The staff member has since left and the post has been announced in July 2008.

¹⁰⁰ The DEC person conducting the complex GIS mapping of ecosystems and species regrettably met with a fatal motor accident, and it took some time for a replacement to assume duties.

¹⁰¹ Memorandum of April 20, 2004 to the CEO from David Freestone, Acting Deputy General Counsel, Advisory Services, LEGVP, on *Would a GEF Performance-Based Framework be Consistent with the GEF Instrument?*

¹⁰² Legal Analysis of the GEF Resource Allocation Framework, The Center for International Environmental Law (CIEL), Glenn M. Wiser, May 2007

¹⁰³ Performance measures in the GEF-3 replenishment report, (Schedule 1 to Attachment 1 to the Summary), to be achieved by fall 2004.

¹⁰⁴ UNEP/CBD/COP/9/INF/20.

¹⁰⁵ For the exact language describing the index as approved, see the RAF Document (GEF/C.27/Inf.8/Rev1). For ease of understanding, the text in this chapter attempts to describe the index in simple, non-technical terms.

¹⁰⁶ The GEF Resource Allocation Framework, October 17, 2005.

¹⁰⁷ The GEF Resource Allocation Framework. October 17, 2005. p. 15

¹⁰⁸ *Land Use, Land-Use Change, and Forestry*, Special report: IPCC, 2000 - Robert T. Watson, Ian R. Noble, Bert Bolin, N. H. Ravindranath, David J. Verardo and David J. Dokken (Eds.)

¹⁰⁹ M.Sc. Thesis in International Studies in Aquatic Tropical Ecology: *Assessment of Global Marine Biodiversity Indicators for the Global Environment Facility Resource Allocation Framework* (GEF RAF), by Gorch Detlef Bevis Fedder, presented to the University of Bremen, Faculty for Biology & Chemistry, Bremen, August 2007.

¹¹⁰ The megadiverse countries are a group of countries that harbor the majority of the earth's species and are therefore considered extremely biodiverse. The World Conservation Monitoring Centre, an agency of the United Nations Environment Programme, has identified 17 megadiverse countries, most located in the tropics. http://en.wikipedia.org/wiki/Megadiverse_countries. A biodiversity hotspot must contain at least 1,500 species of vascular plants as endemics, and it has to have lost at least 70% of its original habitat. Around the world, at least 25 areas qualify under this definition, with nine others possible candidates.

¹¹¹ UNEP/CBD/COP/9/INF/20, 26 February 2008, REVIEW OF IMPLEMENTATION OF ARTICLES 20 AND 21 *Review of the effectiveness of the financial mechanism: the report of the independent evaluator commissioned to carry out the third review of the effectiveness of the financial mechanism*.

¹¹³ Other scenarios were also simulated: keeping year 2000 for nonco but considering 2 years after and before 2000 for co².

¹¹⁴ [FCCC/SBSTA/2008/L.13/Rev.1](#), Subsidiary body for scientific and technological advice, June 2008, Nairobi work programme on impacts, vulnerability and adaptation to climate change.

¹¹⁵ Delphi average response 6.6 for “group countries that should qualify for individual funding”, and 5.1 for “individual countries that should qualify for group allocation”, standard deviation 2.1 and 2.2..

¹¹⁶ *The GEF Resource Allocation Framework*, October 17, 2005. p. 1

¹¹⁷ Some of these countries have since graduated from GEF support; three in climate change are subject to paragraph 26 in *The RAF document* that fixes the country in group allocation due to historical and other reasons.

¹¹⁸ 2007 CPIA guidelines, WB.

¹¹⁹ The indicator source is included under IDA’s “Policies for Social Inclusion/Equity” cluster of indicators within its Country Policy and Institutional Assessment (CPIA).

¹²⁰ World Bank (2006).

¹²¹ ICR may include ratings on Risks, Sustainability, Impact, Quality at Entry, Bank Supervision, Overall Bank Performance, Borrower Preparation, IEG Borrower Implementation, IEG Borrower Compliance, Overall Borrower Performance, and ICR Quality.

¹²² Several of these have since graduated from GEF assistance.

¹²³ W. Paul Vogt (1993). *Dictionary of Statistics and Methodology: A Nontechnical Guide for the Social Sciences*. Newbury Park, CA, p.245 (“Weighted Data”). In statistics, for example, weights are commonly applied to various subgroups of a sample in order to ensure that the resulting analysis reflects the relative proportions of subgroups in the population at large: Suppose we want to generalize about the attitudes of all 75-year-olds. We have a sample of 100 men and 100 women, all in their 75th year. We might want to give the women’s attitudes more weight, because there are many more 75-year-old women than men and the goal is to generalize to the attitudes of all 75-year-olds.

¹²⁴ In addition, the GEF manages other resources such as the GEF Trust Fund for the four other focal areas, the adaptation funds and the funds for climate change (LDCF, SCCF). They existed before the RAF was developed and are not a set-aside, though they function as such because they have to be accessed and managed separately.

¹²⁵ This has been mentioned, for example, in GEF Sub-Regional Workshops.

¹²⁶ This included, under POPs, the project *Rapid Assessment of Chemical Contamination of the Wenchuan Earthquake in Sichuan Province* (ID3702). Also, an MSP was approved; *CBPF: Emergency Biodiversity Conservation Measures for the Recovery and Reconstruction of Wenchuan Earthquake Hit Regions in Sichuan Province* (ID3706).

¹²⁷ Some other IFIs use pools of funds, by country groups, but to a much smaller extent. For example, ADB operates a pool of funds for its Pacific Region, which, with the exception of Papua New Guinea, comprises very small island states. That Bank puts aside fifty million dollars into a pool that is allocated exclusively among the approximately 15 Pacific member states. Each obtains an individual allocation that is larger than would be the case if these states were to compete for allocations on an equal footing with all member states.

¹²⁸ Each Category 1 country was guaranteed an individual allocation (although no fixed amount) through the whole period. That is, its indicative allocation might change after mid-point reallocations but it would remain an individual allocation. Any country that is in Category 1 for the first half for GEF4 stays in that group for the whole of GEF4.

¹²⁹ In GEF-4 about two-thirds of all countries were in Category 2 (71% of countries in the climate change focal area; and 62% in the biodiversity focal area).

¹³⁰ Only the highest individual allocation of any country in Category 2 is made public. The initial individual allocations that are the basis for the division into Groups 1 and 2 are not made public.

¹³¹ GEF. *The GEF Resource Allocation Framework*. GEF Council Nov. 8-10, 2005. GEF/C.27/Inf.8/Rev.1, Washington DC. October 17, 2005. The RAF Resource Allocation Framework (2005) describes the formation of the two groups as follows: “Step

5. Indicative Allocations to countries and the group. 14. For each focal area, all eligible countries are listed in decreasing order of adjusted allocations. The highest-ranked countries whose cumulative adjusted allocations equal 75 percent of the total resources in the focal area will receive country specific indicative allocations equal to their respective adjusted allocations. 15. The remaining countries will be placed in a group with collective access to the indicative allocations for countries in the group for each focal area. The indicative allocation of the group for each focal area will consist of the resources available for the focal area that are not excluded from the RAF as specified in paragraph 22 and are not allocated to individual countries as specified in paragraph 14. For each focal area, the upper limit on approved projects for any country in the group will be equal to the adjusted allocation of the highest-ranked country in the group.

¹³² The RAF document is ambiguous in some important respects in this regard. Specifically the RAF document requires two incompatible calculations. First, in paragraphs 9 to 15, it says that exclusions (essentially the 10% for global and regional and small grants) are made as the first step in calculating Category 2 allocations. That is all countries bear the cost of these exclusions. After exclusions, the remaining 90% of funds (the adjusted allocations) is split 75/25. Therefore Category 2 receives 25% of 90% - that is 22.5% of total funds in each focal area. However, in contradiction, paragraph 16 says that three items cannot add up to more than 25% of total funds. Those three items are: (1) The Group adjusted allocations (22.5% in the example above), (2) Exclusions (10%), and (3) Targeted supplements (defined as the difference between the total unadjusted allocation for all countries under \$1 million and the total adjusted allocations for these countries - that is \$1 million each). Targeted supplements is in GEF4 amount to \$25.9 million (Climate Change) and \$15.3 million (Biodiversity). Clearly if all three items above must sum to less than 25% of total funds in the focal area, then something has to give. If Category 2 countries bear the full weight of exclusions as well as targeted allocations their share drops from 22.5% to around 15%. In fact the 75% is applied to the full focal area amount, not to the 90% going to countries.

¹³³ The RAF Delphi Panel was not asked a separate question on the appropriateness of ceilings on the maximum size of a single country allocation.

¹³⁴ Ceilings normally redistribute monies proportionally among all countries too small to reach the ceiling. One result is normally an increase in the median size of allocations, with a positive effect in terms of providing budget coverage of projects of at least minimum size.

¹³⁵ The 2003 Council paper defined "performance" as follows : *What is "Performance" in the GEF context?* 5. The second issue is what "performance" means and how it is to be accounted for in the framework. There are three possible interpretations of performance: (a) Overall (macro-level) country policy, capacity, and institutional framework; or (b) Country policy, capacity, and institutional framework relevant to delivery of global environmental benefits; or (c) Country policy, capacity, and institutional framework relevant to success of the project under consideration. 16. The first interpretation, commonly employed in multilateral agencies, requires an assessment of the current policy, capacity, and institutional framework of a country in terms of how conducive that framework is towards effective use of development assistance. Such an assessment usually rates factors that include, inter-alia, economic management, sector policies, social policies, public sector management and general governance, and portfolio performance. While such assessments could be readily available off-the-shelf for most countries from other multilateral institutions, their relevance to performance of GEF-supported projects is indirect. 17. The second interpretation would require the assessment of current policy, capacity, and institutional framework of a country in terms of how conducive that framework is towards effective delivery of global environmental benefits. Such assessments could be undertaken periodically, and used as a basis during review of projects; these assessments could also provide guidance towards the choice and size of GEF financing vehicles approved for each country. However, such assessments are not readily available, and would require some additional analytical work by the GEF Secretariat and the Agencies. 18. The third interpretation would require an assessment of "the ability of the country to successfully implement GEF-financed projects and deliver global environmental benefits." The current GEF programming framework embodies such an approach that assesses country/sectoral policy, capacity, and institutional framework that is appropriate for ensuring success of the project under consideration. As already mentioned, the GEF depends upon the policies and procedures of the Implementing and Executing Agencies to undertake this analysis, and the GEF project review criteria assesses the adequacy of such analysis.¹⁰ The current programming framework could be further enhanced by establishing, in agreement with the Council, specific country-level policy, capacity, and institutional assessment criteria to be used by Agencies in their due diligence assessment during project preparation."

¹³⁶ One exception is the IDB, which has a relatively simple allocation formula. It allocates 60% of its concessionary funds (Fund for Special Operations, FSO) solely according to member countries' relative scores on a performance index. Nothing other than country performance is taken into account in allocating this pot of funds. Separate pots of concessionary funds are allocated separately, each according to other variables.

¹³⁷ It is interesting to note the use of LogPOP by two organizations (IFAD and the EC). The effect is to make a non-linear (exponential) distribution of country sizes closer to linear. This is useful when the organization has many small country members and, in addition, one or two relatively very large country members (CDB, for example, with its micro island states + Guyana and Haiti). By moderating the influence of country size, the "Log transformation" of the scale variable may help avoid explicit and arbitrary caps on the allocations of the largest countries. It would be possible to use LogGBI in the same way and for the same purpose.

¹³⁸ The amount of weight given to the performance variable changes frequently even within a single organization. For example, the traditional World Bank (IDA) allocation formula had an exponent of 2.0 on the performance variable. As one can see from Table 4.4.1 above, the most common exponent on the performance variable is still 2.0 (AsDB, CDB and IFAD). However the World Bank first added a separate "governance" variable, double counting part of the CPIA, and then, during the recent IDA 15

negotiations, dropped the separate governance variable, split the CPIA performance variable into two, and raised the exponent on the performance variable to 5.0. We are told that these changes, with the selection of new weights for all three components¹³⁸ of the performance variable, and the simultaneous increase of the exponent on the performance variable from 2.0 to 5.0, did not have a significant effect on the initial IDA 15 allocations. That is, the weights were selected to keep the allocations much as they would have been under the old formula. This may have been only partly successful and, anyway, there is more than one combination of weights that will achieve this result. The important point is that the sensitivity of IDA allocations to changes in performance in future has been substantially increased. The GEF RAF, with an exponent of 1.0 on the performance variable, is apparently less sensitive to changes in performance than is the case with IDA.

¹³⁹ The “resource concentration coefficient” is defined as the ratio of the monies allocated to the top quintile relative to the bottom quintile.

¹⁴⁰ GEF confuses the issue somewhat by including a performance variable, the change in carbon intensity of the economy, in its Global Benefits Index rather than in its Performance Index.

¹⁴¹ However even in the IDB case there are complexities. There are in fact two scale variables in the IDB formula for allocating the IDB Fund for Special Operations. 22% of the Fund is allocated by share of population alone, and 13.3% is allocated by relative levels of GNP per capita alone. These percentage weights are arbitrary, as all judgmental weights ultimately are, but, in addition, they lack a visible link to priorities and reasonableness.

¹⁴² wiki

¹⁴³ Integration and synergies has been also attempted at the institutional level with the creation of the Natural Resources Management Team (a merge of Biodiversity, IW and Land Degradation).

¹⁴⁴ GEF/C.31/Inf.8, May 21, 2007, *Workshop report: STAP workshop on Small island developing states (SIDS), groundwater and interlinkages*

¹⁴⁵ LULUCF is not yet reflected in the indices.

¹⁴⁶ Report to the GEF on the quality of applications received on Project Identification Forms, October 16, 2007.

¹⁴⁷ Equivalent to 83.69% out of \$M900, or excluding set-side.

¹⁴⁸ A scatter graph or scatter plot is a type of display using Cartesian coordinates to display values for two variables for a set of data. The data is displayed as a collection of points. A line of best fit (called 'trendline') can be drawn in order to study the correlation between the variables. The gradient changes slightly from $W_{GBI} = 0.80437$ to $W_{GBI} = 0.8438$.

¹⁴⁹ Group allocation in both focal areas: Jordan, Libya, Lebanon, Tunisia, Yemen; and South Korea, Bhutan, Myanmar, Nepal.

¹⁵⁰ Only climate change group allocation: Bahrain, Cyprus, Kuwait, Malta, Oman, Qatar, San Marino, Singapore, United Arab Emirates, Israel, and Saudi Arabia.

¹⁵¹ Small states include SIDS as well as other nations with small geographical size and population such as Bhutan, Djibouti, Equatorial Guinea, Gabon, Gambia, Swaziland.

¹⁵² Classified for all World Bank member economies, and all other economies with populations of more than 30,000, divided among income groups according to 2007 gross national income (GNI) per capita, calculated using the World Bank Atlas method. The groups are: low income, \$935 US\$/capita or less; lower middle income, \$936–3,705; upper middle income, \$3,706–11,455; and \$745 for LDCs. The one High income country: OECD is Republic of Korea. Information is not available for 4 Pacific states.

¹⁵³ Bahamas, Bahrain, Barbados, Cyprus, Israel, Kuwait, Malta, Qatar, San Marino, Saudi Arabia, United Arab Emirates, Singapore, Slovenia, Trinidad and Tobago, Estonia, Antigua and Barbuda, South Korea.

¹⁵⁴ Comparison of actual amounts is not exact as it must take account of varying replenishment size and duration, depreciation and inflation over time, and country resource use over different replenishment periods. The review has compiled the total amount provided per country since 1990 to 2006, 16 years, and divided this over four replenishment periods each of four years (as GEF-4). This addresses historical support consistently for all countries but may conceal uneven activity in each replenishment period for a given country. For comparing average amount per year, some amounts would be too small to make sense.

¹⁵⁵ The median GEF country utilized \$0.7 million over four years over single-country projects.

¹⁵⁶ Reallocation document, GEF Secretariat, August 2008.

¹⁵⁷ Poland, Hungary, Lithuania, Latvia, Slovenia, and Estonia; they were group countries except Poland, Hungary, Lithuania, and Latvia were among the indicative countries in climate change.

¹⁵⁸ All RAF GEF amounts include Agency fees; RAF data as of July 3, 2008

¹⁵⁹ Land degradation, ozone, POPs and international waters.

¹⁶⁰ SGP contributions counted as one project. Program documents under programmatic approaches not counted; individual PIFs approved with different IDs are counted.

¹⁶¹ Gini-coefficient of inequality: This is the most commonly used measure of inequality. The coefficient varies between 0, which reflects complete equality and 1, which indicates complete inequality (one country has all the income or consumption, all others have none).

¹⁶² GEF/C.34/Inf.10, Progress report on the Implementation of the RAF, October 9, 2008.

¹⁶³ Other variables such as geographical region, SIDS, landlocked countries are not statistically significantly different.

¹⁶⁴ This is also in part due to the manner of recording resources under GEF-4, by which funds are split in the GEF database per Agency and RAF funding source.

¹⁶⁵ Numbers are not entirely comparable, since PDFs for approved past projects are included in full project budget. Past PDFs amount to 138M (from Joint evaluation) for 420 FSPs and 164 MSPs.

¹⁶⁶ Average biodiversity MSP in the past: \$0.84 million by individual countries and \$0.78 million by group countries. Climate change: individual countries \$0.85 million ; group countries \$0.81million.

¹⁶⁷ GEF Secretariat database categorization of “Break-up” was used for this analysis.

¹⁶⁸ This also means that comparative analysis is exceedingly difficult. Projects downloaded from PMIS no longer have a unique identifier as in the past, but many with the same number. Any of these project IDs may be *one* project (with different funding source, say from RAF and another focal area); one project with one funding source but different agencies; several projects under a programmatic approach, no real project at all (such as a country allocation contribution to the SGP), or a mix of the above. For meaningful analysis the review has had to identify and aggregate these into one project (where identifiable); the same must be done for utilization.

¹⁶⁹ The percentages for particular stakeholder groups similarly agreeing with the statement included 53 % among GEF focal points and government staff; 56 % among NGO and private sector organization staff; and 77 % for GEF agency staff.

¹⁷⁰ The figures are over-estimated, as (a) not all of this will be under NGO management (some projects have more than one executing agency); and (b) erroneous classification in the database (some are governmental entities). This represents 13% of MSP funds and 11% of FSP funds.

¹⁷¹ MSPs in Bulgaria, Indonesia, Kenya, Mexico, Uganda, Liberia. FSPs in Brazil, Chile, Costa Rica, Mexico, Peru, South Africa, Tanzania, Tajikistan, Paraguay; EA in Guyana, Jamaica, Malawi. There is no reliable data on the involvement of NGOs as contractors or partners for project components, nor on services within projects, either before or under RAF. Smaller allocations and smaller projects would not favor such NGO components.

¹⁷² GEF policy on public involvement, June 1996.

¹⁷³ *Technical Paper on public disclosure of indicators* (April 7, 2005).

¹⁷⁴ GEF/C.32/8, October 16, 2007, *GEF communications and outreach strategy*. The communication strategy sets out five principal objectives: To create a clear GEF corporate identity; for GEF partners, to speak with a unified GEF voice; for the public, to position GEF as a leader on the global environment; for expanded interest groups, to communicate effectively with GEF; and to embed GEF messages at country and regional levels.

¹⁷⁵ Accessibility: *on four fronts: strengthening the Secretariat’s capacity for direct dialogue with countries; improving the effectiveness of corporate programs; strengthening the GEF’s capacity to tap into and share its knowledge base; and strengthening the GEF’s corporate image and public communications.*

¹⁷⁶ GEF Resource Allocation Framework: Indicative Resource Allocations For GEF-4, For The Biodiversity And Climate Change Focal Areas (Called “The Disclosure Paper”), 15 September 2006. The document was sent by email to the Operational and Political Focal Points on September 20, 2006 from the GEF Secretariat, copying the Council Members, Convention Secretariats, and Agencies.

¹⁷⁷ GEF/C.27/Inf.8/Rev.1, October 17, 2005

¹⁷⁸ GEF (2008), Reallocation paper.

¹⁷⁹ In biodiversity, 61% of individual countries have a medium to high delivery rate, and 61% in climate change have zero or low resource utilization.

¹⁸⁰ Climate change exception: Uzbekistan (9.3 M) and Chile (6.1M); biodiversity exception Panama and Argentina.

¹⁸¹ Percentages of various stakeholder groups finding the pipeline changes a hindering factor include 35 % of focal points and government staff; 43 % of NGO staff; 68 % of GEF agency staff; and 78 % of Council members and alternates. The number of responses from Council members and alternates is low; data from this group are not statistically comparable with those from the other stakeholder groups listed.

¹⁸² GEF (2007). *Joint Evaluation of the GEF Activity Cycle and Modalities*.

¹⁸³ For example, one country endorsed three PIFs for the same project. Each PIF named a different GEF agency as its executing organization. Through subsequent negotiation a resolution was found among the agencies.

¹⁸⁴ GEF/EO, “Annual Country Portfolio Evaluation Report – 2008”.

¹⁸⁵ This excludes the eleven countries, mainly located in the Middle East and new to the GEF, with only the climate change group allocation and no biodiversity allocation

¹⁸⁶ Mongolia, Vietnam, China, Guatemala, Thailand, Mauritius, Turkey, Marshall Islands, Micronesia, Palau, Ukraine, South Africa, Malaysia, Indonesia.

¹⁸⁷ It is uncertain if the consultation structures for the portfolio are also used for PIF or project preparation and reviews, or for consultation on proposals in *other* GEF focal areas. It is also too early to establish if such coordination mechanisms are permanent and sustainable, or whether these are periodic for RAF priorities mainly.

¹⁸⁸ Operation of the GEF Project Cycle Management Procedure: A Review; GEF/C. 34/Inf., November 2008

¹⁸⁹ The Secretariat reports 33.8 months for 13 fullsize projects.

¹⁹⁰ *Mainstreaming Prevention and Control Measures for Invasive Alien Species into Trade, Transport and Travel Across the Production Landscape* (UNDP, ID3254), in the Seychelles.

¹⁹¹ As there is no institutionalized system for monitoring and recording response time, the MTR was not able to verify the times reported by the Secretariat.

¹⁹² Albania, Armenia, Djibouti, Jordan, Mongolia, Myanmar, Namibia, Yemen, Zambia, Palau, Senegal, Uruguay), India, Indonesia, Iran, Philippines, Russian Federation, Tanzania, Ukraine, Uzbekistan, Vietnam.

¹⁹³ *From Projects to Programs: Clarifying the Programmatic Approach in the GEF Portfolio*, 2008.

¹⁹⁴ Africa sub-regional workshops, June 2008.

¹⁹⁵ These are recorded in the GEF database as ‘country projects’.

¹⁹⁶ Biodiversity: global projects 9%, regional 20%; and climate change: global projects 11%, regional 16%.

¹⁹⁷ C.31 paper

¹⁹⁸ Using the PMIS classification of global or regional; the single country “break up” projects may be similar to pre-RAF global or regional projects (across numerous countries).

¹⁹⁹ Subregional 2006 workshops: “this fund pool is dedicated to projects that go beyond the country level and it is hoped that countries will contribute to regional projects”.

²⁰⁰ Examples include “PAS GEF Pacific Alliance for Sustainability (PROGRAM)”, “Carbon Benefits Project (CBP): Modeling, Measurement and Monitoring” “Global Market Transformation for Efficient Lighting”.

²⁰¹ Of 259 TEs available and 190 reviewed, of which 132 are of Single Country Projects and 58 of Global and Regional Projects. Source 2007 APR.

²⁰² The M&E during Implementation is naturally more challenging for multi-country projects (marginally satisfactory and above 75% vs. 58%).

²⁰³ The top-ranked, Brazil would go down from 63M to 57.5 M US\$.

²⁰⁴ Joint evaluation

²⁰⁵ Joint evaluation

²⁰⁶ Rules for utilization of RAF resources by group allocation counties after July 1, 2008, GEFSec, dated July 25, 2008.

²⁰⁷ Letter Dec 22 2006 to CEO from CBD Executive Secretary.

²⁰⁸ GEF/C.22/Inf.16, November 4, 2003, Operational Procedures

²⁰⁹ From the MOP/4/L.P document (Bonn, 12-16 May 2008).

²¹⁰ Both the World Bank (IDA) and the Asian Development Bank (Asian Development Fund) have estimated at different times that their RAF/PBA systems cost about one and a half million dollars per annum. Small IFIs and funds, for example the Caribbean Development Bank, spend less on their smaller and simpler systems.

²¹¹ Council approved budget for special initiative.

²¹² The staff post covering RAF environment economics has indeed been moved under the corporate budget for the GEF Secretariat from 2007. Training and awareness-raising has mainly been handled through the GEF/UNDP Country Support Programme (CSP) for focal points. There is one or two staff from the GEF Secretariat who participate, normally from the external relations team. Since 2006, the agenda for the sub-regional workshops has been dominated by RAF matters.