

Mid-Term Review of the Resource Allocation Framework

34th Council Meeting

Agenda item 8

Tuesday, November 11



Overview

- The mid-term review
- Comparison with other Performance Based Allocation systems
- Design issues
- Implementation issues
- Recommendations for decisions that need to be taken now
- Issues for GEF-5

Background (1)

- Independent mid-term review was part of RAF decision
- Evaluation Office was asked by Council
- Approach paper widely circulated – many comments were received
- TOR approved by Council
- Objective 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**

Background (2)

Three areas to assess:

1. **RAF design** – does it facilitate maximization of impact of GEF resources (quality and indices)?
2. **RAF implementation** – is it providing countries with predictability and transparency and enhancing country driven approaches?
3. How does the **RAF compare** to other PBAs?

Ten key questions (1)

Design:

1. To what extent do the **global environmental benefits indices** reflect best available scientific data and knowledge?
2. To what extent can the **performance indices** be considered as ‘best practice’?
3. To what extent is the RAF **designed to maximize** global environmental benefits?

Implementation:

4. Has the RAF been implemented in accordance with Council **decisions**?
5. To what extent has the initiation and implementation of the Resource Allocation Framework been **transparent and timely**?

Ten key questions (2)

Implementation - continued:

6. How has the RAF affected the **roles and operation** of countries, agencies and entities under the Instrument?
7. What are the observable **changes in GEF programming** from GEF- 3 to GEF-4?
8. What has been the impact of the various **design elements** of the RAF that have raised concerns?
9. To what extent has the RAF been **cost-effective**?

Context

10. What **recent developments**, both within the GEF and elsewhere, should the Council take into account in considering potential changes in the Resource Allocation Framework or the way it is implemented?

MTR Design and Methodology

- Literature and desk reviews: 250+ documents
- Delphi approach; 3 panels – 150 experts
- Portfolio analysis of 3454 historic and 545 RAF proposals/projects
- Statistical simulations: 30+, 161+ countries
- Surveys: 691 respondents
- Interviews: 260+
- Country consultations: 6 workshops, 210+ focal points
- Two workshops on preliminary findings

Core evaluation team

- Task Manager: Siv Tokle, GEF EO
- Senior consultants: Ken Watson, Jim Fremming
- Research+papers: Yu-kui Zhou, Shaista Ahmed, Florentina Mulaj, Neeraj Negi
- Delphi by World Perspectives Inc. (Agrilink)

Context and comparison

- International trend towards results based management
- Harmonization, alignment, Paris declaration
- GEF-4 is less money in real terms than GEF-3
- Ambitious guidance of the conventions
- UN Programs and MDBs have all adopted performance based allocation systems
- The Banks have refined their PBAs and seen record levels of replenishment
- **Conclusion 1: The GEF is operating in circumstances which increase the need to purposefully allocate resources**

Comparison with other PBAs

PBA for:	Amount (\$ in millions)	Years	# of countries	Average per country (\$ in m/per annum)
IDA	41,600	3	81	171.2

GEF RAF

Country score is:

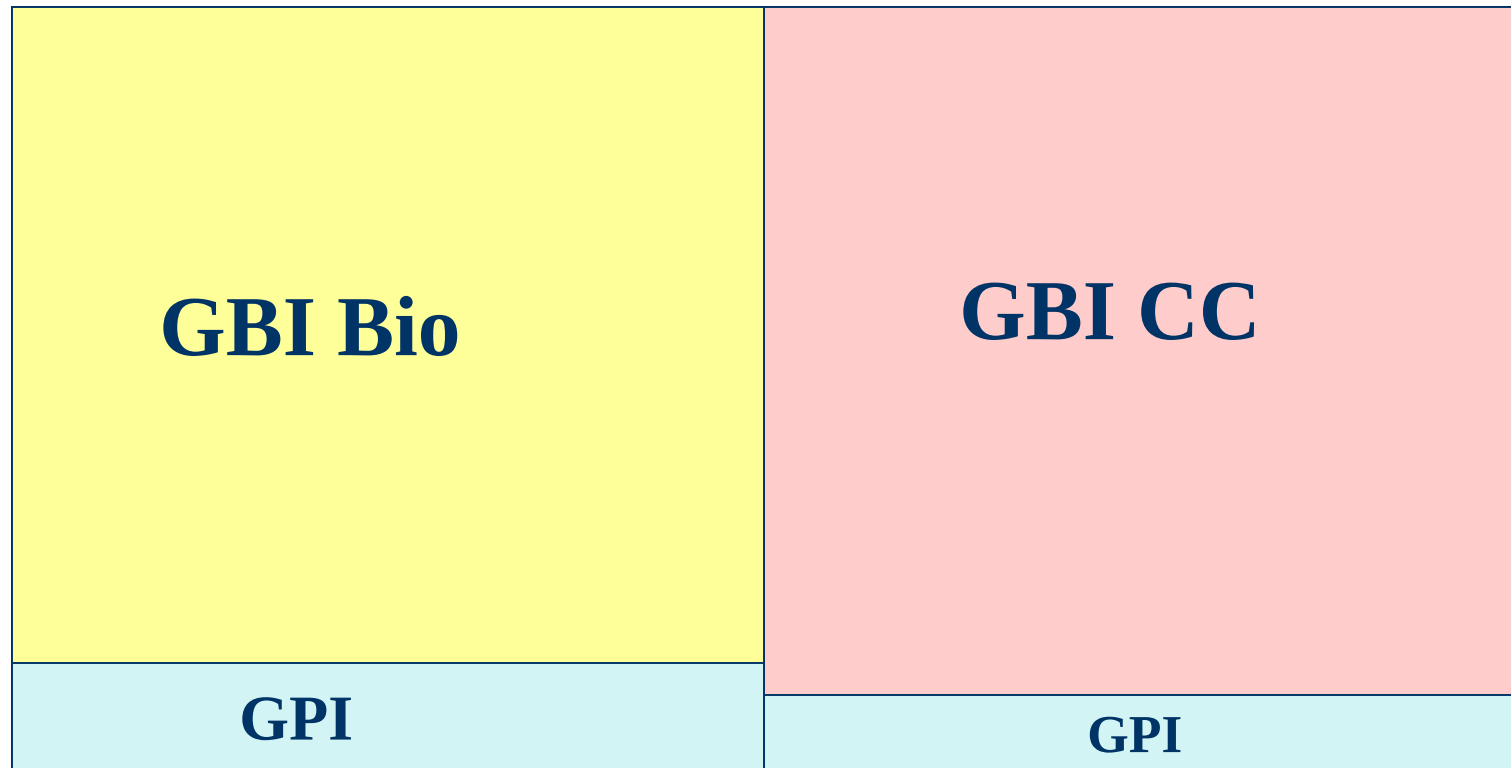
$GBI^{0.8}$

$\times$

$(0.2BFI + 0.1PORT + 0.7CPIA)^{1.0}$

GEF RAF

- Country score is:



Determining Allocations

**Biodiversity/Climate
Envelope for GEF**

90% Cou
(Adjusted for)

Set-aside 10%:
- 5% Global
& Regional
- 5% SGP &
Cross-Cutting
Capacity Building

**15% to
group
allocation**



Biodiversity and climate change indices

- Reflect best current available data
- Balance between marine/terrestrial needs attention
- Adaptation and vulnerability to climate change is not reflected in the indices
- Biosafety not reflected
- Climate change indices are biased towards emissions rather than energy intensity
- **Conclusion 2: Indices reflect best available information today, with some gaps which should be addressed over time**

Performance indices

- Low recognition of quality of portfolio
- General institutional performance: GEF funding is marginal so provides no incentive
- For group countries improved performance will not change anything: almost all will remain in the group
- Low capacity countries: recognition of quality of portfolio would provide counterweight to lower institutional performance
- Countries have no information on their performance index
- **Conclusion 3: no effective incentives to improve performance**

Group allocation countries

- Goals of equity (access to funds for all) and potential flexibility (access to maximum amount) difficult to reconcile
- Most group countries did not understand guidance / implementation rules (floor, 50% rule, how to proceed)
- Higher transaction costs compared to individual allocation countries (but less benefits) – for countries, Secretariat and agencies
- Many proposals were discouraged (75% in biodiversity)
- “Utilization” still very low at mid-point (July 3)
- Programmatic approach is under development
- **Conclusion 4: limited access for group allocation countries**

Rules of the game (1)

- The **50% rule** (only 50% can be “utilized” in first phase of RAF) reduces flexibility, affects resource utilization
 - not within international best practice or linked to liquidity
 - rationale unclear; its objective of performance incentive not met
 - especially problematic for the group allocation
- Rules for **re-allocating** funds in the last phase of the RAF are not in place
 - Remaining funds would be turned over to GEF-5
- **Ceilings and floors** are not effective
 - ceilings set too high to serve as distribution mechanism
 - floors (of 1M US\$) are redundant when countries are put in group allocation

Rules of the game (2)

- The **75% rule** (75% of total resources to go to individual country allocations) skews resource distribution
 - biased because it is applied *inclusive* of the exclusion (i.e. 75% of focal areas funds go to top ranked countries, not 75% of country funds)
 - means that a higher replenishment would lead to less equity – the top 75% would gain disproportionately
 - not within international best practice; and affects incentive structure
- The 10% global and regional exclusion is considerably lower than historical practice
- Low flexibility compared to other PBAs
 - No reserves, few set-asides, 50% rule, no delivery incentives, few waivers, biannual allocations
- **Conclusion 5: implementation rules are too complex for flexible use of resources**

Too complex for a partnership?

- Slow implementation caused by combination of factors
 - GEF reform, complexity of design, complexity of implementation rules, lack of incentives
- Strong initial efforts were made to communicate the RAF – yet understanding remained low
- GEF agencies often did not follow-up on Secretariat initiatives
- Focal points often lack tools to fulfill new role
- **Conclusion 6: this RAF is too complex for the GEF partnership**

Individual Allocation Countries

- Ownership increased and supported by RAF:
 - Focal points have become more active
 - National mechanisms have increased
 - More political interest
 - 4 year allocation has made GEF more visible
- But involvement of private sector and NGOs has decreased overall
- Many group countries made similar efforts but had less success
- **Conclusion 7: increased ownership in individual countries; neutral or detrimental effect on ownership in group countries**

Exclusions

- **Conclusion 8: exclusions did not function well and may have diminished the effectiveness of the GEF in delivery of global and regional benefits**
- No clear policy for global and regional projects
- Decrease of share of UNEP
- Biosafety to be included in future
- SGP: RAF contributions were capped; restrictive in use (only bio and cc) and requiring additional paperwork (extra strategy document)

Recommendations

- Reallocation of funds should be allowed in the last year of GEF-4
- The last phase of GEF-4, including reallocation of funds, should be implemented with full public disclosure, transparency, participation and clear responsibilities
- Implementation rules need to be simplified

Issues for the future

- **Steps to improve RAF design and indices for GEF-5 should be taken as of now**
 1. Improvement of the global benefits indices and their weights
 2. Increase of weight of the environmental portfolio performance – and include GEF EO ratings!
 3. Discontinuation of the group allocation
 4. Reconsideration of ceilings, floors and 50% rule
 5. Recognition of transboundary global environmental problems
 6. Expanding the RAF to one integrated allocation for all focal areas.