Midterm Review of the Resource Allocation Framework

MAY 2009

Conclusions et recommandations en français.
Conclusiones y recomendaciones en español.

Evaluation Office
Global Environment Facility

Global Environment Facility
Evaluation Office

Midterm Review of the Resource Allocation Framework

May 2009

(The main findings and recommendations of this evaluation were presented to the GEF Council in November 2008.)

Evaluation Report No. 47

1818 H Street, NW
Washington, DC 20433
Internet: www.gefeo.org
Email: gefevaluation@thegef.org

ISBN-10: 1-933992-17-4
ISBN-13: 978-1-933992-17-4

Credits
Director of the GEF Evaluation Office: Robert D. van den Berg
Task Manager: Siv Tokle, Senior Evaluation Officer
Evaluation Team: Shaista Ahmed, Gary Costello, James Fremming, Florentina Mulaj, Kenneth Watson, Yu-Kui Zhou, consultants; Divya Nair, Neeraj Negi, Lee Risby, David Todd, Claudio Volonté, GEF Evaluation Office; and World Perspectives Inc. (Gary Blumenthal, Anita Chomsky, Stephen Dewhurst, Erik Lichtenberg, Mohan Munasinghe)

Editing and design: Nita Congress
Printing: Professional Graphics Printing Co.
Cover photo: © SXC.

Evaluation Report No. 47

A FREE PUBLICATION

Contents

Boxes

Figures

Tables

Foreword

In response to the policy recommendations of the third replenishment, the Council of the Global Environment Facility (GEF) agreed to implement a resource allocation framework (RAF) based on an index of a country's potential to generate global environmental benefits and on an index of performance. The RAF is unique among performance-based allocation systems in assessing needs and potential within biodiversity and climate change. Given its innovative nature, the Council requested that the GEF Evaluation Office review the RAF in 2008, after two years of implementation.

This midterm review evaluates 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. While it is too early to provide evidence on the impact of the RAF on environmental benefits, it emerged that the transition to a new way of providing GEF resources has been challenging.

Countries with individual allocations have generally appreciated the improved predictability in GEF funds; while countries with a smaller, pooled allocation have experienced difficulties in accessing GEF resources. Transaction costs related to the RAF and other reforms have been high across the GEF partnership, so the cost benefit has not been fully demonstrated in terms of value for the money. This reflects, at least in part, the GEF's expectation of providing support to a large number of countries with limited resources as it responds to its mandate of protecting the global environment.

In line with the recommendations of the midterm review made in November 2008, the Council has decided that unused funds will be reallocated in the last year of GEF-4, based on objective rules and a transparent and equitable procedure to be developed over the next months. The last phase of GEF-4, including reallocation of funds, will be implemented with full public disclosure, transparency, participation, and clear responsibilities.

Looking toward the future, the Council also asked the GEF Secretariat, the GEF Agencies, the GEF Scientific and Technical Advisory Panel, and other stakeholders to present steps to improve the RAF's design and indexes for the biodiversity and climate change focal areas for GEF-5, and to present scenarios for possible expansion of the RAF—if feasible—to all focal areas for GEF-5. The midterm review points to a number of areas for such improvement, including discontinuation of the group allocation; recognition of transboundary global environmental problems; increased weight for portfolio performance in the GEF Performance Index; and reconsideration of the rules for allocation ceilings, floors, and expenditure limitations.

The midterm review covered a more complex and ambitious scope than is customary for a midpoint formative evaluation. It included a comparative review of the RAF with the performance-based allocation systems of other multilateral agencies; extensive statistical analysis, simulations, and data modeling; a portfolio review of all historical allocations and changes in the GEF-4 period; and a Delphi peer study of the RAF indicators, indexes, and design by three panels of independent experts on global biodiversity, climate change, and performance.

The review has produced several supporting technical papers and statistical annexes, containing detailed findings and underlying data. These are available on the GEF Evaluation Office Web site (www.gefeo.org) and on CD-ROM. I trust that these papers and their in-depth information on the multiple aspects of RAF design and implementation will help the GEF in continuing to improve its resource allocation framework in the future and in looking forward to the next programming period. The Evaluation Office will continue to address this important feature of GEF support in the context of the Fourth Overall Performance Study of the GEF.

Rob D. van den Berg
Director, Evaluation Office

Acknowledgments

This report was prepared under the overall leadership of the evaluation task manager, Siv Tokle, Senior Evaluation Officer in the GEF Evaluation Office, who provided coordination and oversight to all evaluation components and methodology, and drafted the report with contributions from the core team. Consultant Kenneth Watson's extensive experience with performance-based allocation systems provided valuable insight and lessons for the RAF, and consultant James Fremming brought capacity development and evaluation expertise to the analysis of implementation issues and review methodology.

Within the GEF Evaluation Office, the analysis of allocations and indispensable statistical simulations were conducted by Yu-Kui Zhou, who also worked with Divya Nair to review the GEF portfolio and historical allocations. Shaista Ahmed provided analysis and support to the survey of some 700 respondents and to the pipeline analysis, while the extensive documentation review was undertaken by Florentina Mulaj. Other Evaluation Office colleagues also supported the team, including Neeraj Negi, Evaluation Officer, who reviewed the effect of the RAF on the GEF Small Grants Programme.

The team is grateful for the detailed and frank feedback provided during the extensive consultations with all groups of stakeholders, especially the GEF focal points in five subregional workshops, the GEF Secretariat, the 10 GEF Agencies, the biodiversity and climate change convention secretariats, the Scientific and Technical Advisory Panel, and nongovernmental organizations.

A draft of this document was presented to the GEF Council in November 2008. The Evaluation Office is fully responsible for the contents of the report.

Abbreviations

ADB	Asian Development Bank
AfDB	African Development Bank
BFI	broad framework indicator
CBD	Convention on Biological Diversity
CC	climate change
CCD	Convention to Combat Desertification
CDB	Caribbean Development Bank
CEO	Chief Executive Officer
CEPIA	country environmental policy and institutional assessment indicator
COP	Conference of Parties
CPIA	country policy and institutional assessment
FSP	full-size project
GBI	GEF Benefits Index
GBI_{BIO}	GEF Benefits Index for Biodiversity
GBIcc	GEF Benefits Index for Climate Change
GEF	Global Environment Facility
GHG	greenhouse gas
GNI	gross national income
GPI	GEF Performance Index
GRE	global and regional exclusion
IBRD	International Bank for Reconstruction and Development
ICR	implementation completion report
IDA	International Development Association
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IUCN	World Conservation Union for Nature
LDC	least developed country
MSP	medium-size project
NGO	nongovernmental organization
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OFP	operational focal point
OPS	Overall Performance Study
PBA	performance-based allocation
PDF	project development facility
PIF	project identification form
PIR	project implementation review
POP	persistent organic pollutant
PPI	portfolio performance indicator
RAF	Resource Allocation Framework
RBM	results-based management
SGP	Small Grants Programme
SIDS	small island developing state
STAP	Scientific and Technical Advisory Panel
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
WWF	World Wildlife Fund for Nature

1. Main Conclusions and Recommendations

In response to the policy recommendations of the third replenishment (2003–06) of the Global Environment Facility (GEF), the GEF Council agreed to implement, for the GEF-4 replenishment (2006–10), a resource allocation framework (RAF) 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. (A summary of the decisions on the RAF can be found in Technical Paper #1, "Methodology and Context," table 2.3.)

The policy recommendations for the fourth replenishment asked the GEF Secretariat to work with the Council to establish a system for allocating scarce GEF resources with "a view toward maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide" (GEF 2002f). It was expected that the RAF would provide a framework for countries to program their resources in accordance with national priorities, provide countries with increased predictability in the financing available from the GEF, and enhance transparency by specifying a well-defined and publicly disclosed method for allocating GEF resources.

According to the final approved document on the framework, the RAF is "…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" (GEF 2005c). It is made up of three indexes:

- GEF Benefits Index for Biodiversity (GBI_{BIO})
- GEF Benefits Index for Climate Change (GBI_{CC})
- GEF Performance Index (GPI)

Under the RAF, the GEF has allocated $1 billion to 150 countries for biodiversity and $1 billion to 161 countries for climate change for the period 2006–10. Countries access these funds by proposing projects in line with GEF strategic priorities. The GEF Council asked the GEF Evaluation Office to review the RAF after two years of implementation and examine the operational experience of the GEF and its partners with the RAF.

1.1 RAF Development and Status

The development and implementation of the RAF took place during a period marked by many other changes and reforms. These influenced RAF implementation and design, and the RAF in turn affected the GEF partnership and shaped the implementation of other reforms. Furthermore, the GEF-4 replenishment, although successful and an increase over GEF-3 in nominal terms, did not provide an increase in real available funding, even though the demands on the GEF and its number of strategic objectives and focal areas had grown over time.

Concurrently, the donor community and global conventions have paid increasing attention to the need for support and resource mobilization for the environment. Growing awareness of climate change and its effects has led to the establishment of new funds in parallel to the GEF Trust Fund. Enhanced effectiveness underpins the revised focal area strategies for GEF-4 (approved in October 2007), which tightened the scope of the focal areas and moved the strategic objectives to a higher, more programmatic level. GEF-4 also started with a push for greater efficiency, with a revision of the GEF project cycle, subsequent growth in programmatic approaches (see chapter 6), and the decision to level the playing field among the GEF Agencies through deletion of the corporate budgets for Implementing Agencies and increase of the project fees. These and other GEF reforms and changes have greatly affected RAF implementation and signal that exact comparisons of the RAF implementation period with GEF-3 cannot be made.

The development of the RAF was lengthy, occupying seven Council meetings over four years as well as numerous workshops, task forces, and consultations. Once agreement was reached in September 2005, planning for implementation started. The country allocations were disclosed in September 2006, after the end of GEF-3 in July 2006. Country-level discussions on priorities relative to each allocation continued through the spring of 2007. The implementation of the RAF officially began in February 2007, when the fourth GEF replenishment came into effect. These various delays affected the timely launch of the RAF. While the period until midpoint in July 2008 has been less than two years, and environmental impacts are not yet observable, clear effects are emerging including differences with the other focal areas that are not yet part of the RAF.

Historical Allocations

As intended by the RAF design, RAF allocations correspond to the pattern of historical allocations in the GEF. Statistically, the RAF formula yields high levels of correlation between past and current allocations for all countries over all phases; this can be seen when analyzing trends in a scattergram (see figure 5.1). Although the results of the RAF formula may mimic historical allocations, there are several formulas with various weights that could achieve this result.

Across all past GEF replenishment periods, all but 3 of the top 20 RAF country allocations in biodiversity were also in the top 20 historically, and 12 of the 20 highest allocation countries in climate change are the same. The country shares within each replenishment period show a high correlation with the GBI and focal area allocation share. Most of the countries in the group allocation received limited amounts in the past. Also, the nominally larger GEF-4 replenishment and the reduction in global and regional projects have resulted in more resources being available to allocate to countries.

There are considerable shifts for some countries within this general pattern, as well as shifts in the predominance of resources between the two RAF focal areas for a given country. During GEF-3, more than 100 countries accessed funds in both focal areas. Compared to past amounts, the RAF allocation represents a possible gain for 115 biodiversity countries and for 71 climate change countries, although not in large amounts, provided the countries access their maximum allocation; the remaining eligible countries receive less than they did in the past. The possibilities of access are greater if a country has a history of GEF involvement, an existing pipeline, and an individual RAF allocation.

Individual Allocation Countries

The RAF provided 57 countries in the biodiversity focal area with individual potential allocations totaling $753.2 million. In climate change, 46 countries have been allocated a total of $751.4 million in individual allocations. The comparison with historical allocation shares by GEF constituency/region is presented in table 1.1.[1] The 31 countries with individual allocations in both focal areas have a 61 percent share of total biodiversity funding (compared to 52 percent historically) and a 68 percent share of total climate change funding (compared to 73 percent in the past). To promote a more equitable distribution of resources, a country's allocation cannot exceed 10 percent of total focal area resources in biodiversity and 15 percent in climate change. These ceilings are set too high to affect allocations, and only one country (China) is limited by them (in climate change).

Group Allocation

A historical comparison is difficult for the group allocation countries, because they share a pool of funds with no fixed allocation per country. However, before they are put into the group, these countries are given a preliminary ranking and allocation (these are not made public). The total pool amount consists of the preliminary allocations for the group allocation countries with more than $1 million each, plus $1 million each for the remaining countries; this is called the **adjusted allocation** (see table 1.2). No amount is guaranteed for any country in the group allocation, but all can compete for a higher amount than they normally would receive based on their preliminary allocation.

Table 1.2

Summary of Group Allocation

Parameter	Biodiversity	Climate change
Number of countries	93	115
Total pool amount	$146.8 mil.	$148.6 mil.
Max. possible per country	$3.5 mil.	$3.0 mil.
Preliminary allocation		
> $1 million	53 countries	41 countries
$1 million	10 countries	33 countries
< $1 million	30 countries	41 countries
Targeted supplement[a]	$15.4 mil.	$25.9 mil.

a. The targeted supplement provides countries with a preliminary allocation of less than $1 million with a minimum adjusted allocation of $1 million; the total supplement becomes part of the group allocation pool of funds.

Table 1.1

Comparison of Historical and RAF Allocation Shares by Constituency/Region

	Biodiversity (57 indicative countries)		Climate change (46 indicative countries)	
Constituency/region	Historical (%)	RAF (%)	Historical (%)	RAF (%)
Europe and CIS	6	5	11	30
Asia	26	27	49	44
West and Central Africa	5	5	2	1
East and Southern Africa	16	16	6	6
Caribbean	1	4	1	1
Pacific SIDS	2	2	0	0
Latin America	40	40	23	15
Middle East and North Africa	3	2	8	4
Total ($)	**1,347 million**	**753 million**	**1,557 million**	**751 million**

Note: CIS = Commonwealth of Independent States.

There are many possibilities for access. As an extreme case, 42 biodiversity countries could get the maximum of $3.5 million, leaving 51 with zero; in climate change, 48 can get the maximum while 67 countries receive nothing. In previous replenishment periods, many countries did in fact get zero grants. From the opposite perspective, if all countries receive $1 million from the pool, then 21 countries in biodiversity and 16 countries in climate change could receive the maximum of more than $3 million each.

The majority of countries in special circumstances receive group allocations (see table 1.3). For example, in climate change, 97 percent of the 48 small island developing states (SIDS) are part of the group allocation, as are 88 percent of the 48 least developed countries (LDCs). The group allocation designation intensifies the already existing challenges for SIDS and LDCs of access to GEF resources.

Resources and Global Environmental Benefits

The RAF model channels resources to countries with high global environmental benefits as measured by GBI scores; the GPI is not as influential in determining allocations. The 57 indicative countries, defined as countries with individual allocations, accumulate 88 percent of the total GBI scores for the 150 eligible countries, as defined by the biodiversity index, and accumulate 75.3 percent of the total resources in the focal area. In climate change, the 46 indicative countries receive 75 percent of total focal area resources, and account for 89 percent of GBI_{CC} scores for the 161 eligible countries (see table 1.4). There is good coverage of megadiverse countries for biodiversity, but less for biodiversity hotspots that straddle individual and group allocation countries (the coverage of hotspots is also influenced by a reduction in global and regional resources). In climate change, the main determinant for allocation is greenhouse gas (GHG) emissions.

Table 1.4

Comparison of Allocation and GBI Score Shares under the RAF

	Biodiversity		Climate change	
Parameter	Ind.	Group	Ind.	Group
Number of countries	57	93	46	115
Share of countries (%)	38	62	29	71
Share of allocation (%)	75	15	75	15
Share of GBI score (%)	88	12	89	11

Note: Ind. = individual allocation; Group = group allocation.

Resource Utilization

Under the new project cycle, “resource utilization” is defined by the GEF Secretariat as approval of the project identification form (PIF) and precedes

Table 1.3

Adjusted Allocations under the RAF by Country Classification

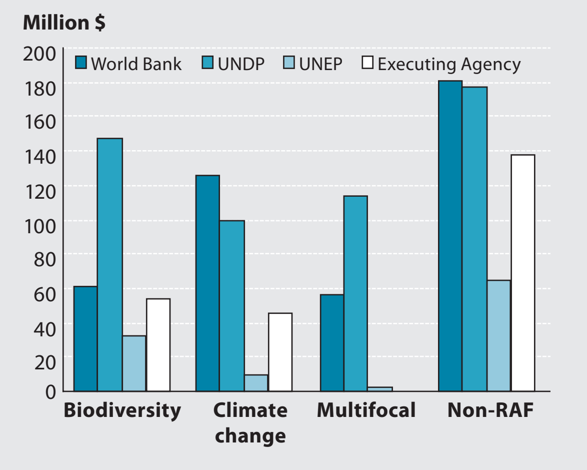
	Biodiversity (150 countries)						Climate change (161 countries)					
	Number of countries			Allocation (million $)			Number of countries			Allocation (million $)		
Country type	All	Ind.	Group	All	Ind.	Group	All	Ind.	Group	All	Ind.	Group
SIDS	35	9	26	110.05	62.29	47.76	35	1	34	40.56	4.25	36.31
LDC	48	13	35	154.84	95.63	59.20	48	6	42	80.36	28.44	51.92
Landlocked	35	9	26	87.64	50.48	37.16	36	9	27	98.63	59.86	38.76
Fragile	30	8	22	86.21	48.33	37.87	30	4	26	56.35	27.64	28.71
HIPC	40	16	24	164.69	124.08	40.61	40	5	35	67.90	21.55	46.35

Note: HIPC = heavily indebted poor countries; Ind. = individual allocation; Group = group allocation.

endorsement of the project document. Using this definition, the first period of the RAF saw substantially lower use of funds in the RAF focal areas than in previous replenishment periods. At midpoint, there have been almost no disbursements on the ground from GEF-4 funding. The overall rate for resource utilization is 31 percent of focal area funds at midpoint. Resource utilization is much higher in the non-RAF focal areas (see figure 1.1): international waters, 59 percent; land degradation, 81 percent; and persistent organic pollutants (POPs), 48 percent. Note, however, that the first period of the RAF has actually been less than two years, given that GEF-4 became effective in February 2007.

Figure 1.1

Resource Utilization in GEF-4 by Agency and Focal Area



Note: Figure does not show jointly implemented projects as these totaled $1 million or less.

As of July 3, 2008—the formal midpoint of the RAF—15 full-size country projects have been endorsed by the GEF Chief Executive Officer (CEO). If CEO endorsement of the project document is used to indicate resource utilization (and it seems a more realistic indicator), countries have so far used 6 percent of total GEF-4 country RAF funding (see table 1.5). Only one project has started, in terms of funds having been disbursed for it.

Table 1.5

Status of RAF Allocation as of July 3, 2008

Status	Biodiversity	Climate change
RAF allocation	$900 million	$900 million
Resource utilization (PIF approval)	$287 million (32%)	$252 million (28%)
CEO endorsement	$37.8 million (4%)	$65.4 million (7%)
In implementation	N/A	N/A

Note: N/A = not applicable.

Access to resources is uneven; biodiversity group allocation countries have used 18 percent of their allocation, compared to only 5 percent for climate change group allocation countries; the individual allocation countries have used 33 percent in PIF clearance, project preparation grants, and medium-size project (MSP) approvals.

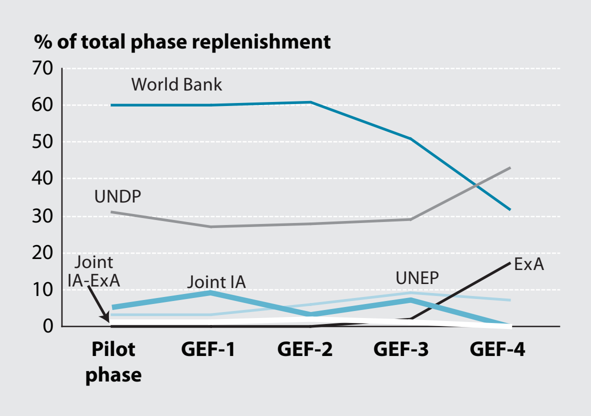
Agency Composition

The RAF has led to increased participation by the United Nations Development Programme (UNDP) and the "new" GEF Agencies and to a decrease in World Bank and, to a lesser extent, United Nations Environment Programme (UNEP) participation.

Historically the largest Agency in terms of GEF resources, the World Bank, including the International Finance Corporation (IFC), has dropped from a share of more than half of GEF resources in biodiversity and climate change in past periods to 32 percent of GEF RAF resource utilization in PIF approvals. Concurrently, the Bank's share has increased for multifocal areas, from 21 percent to 33 percent in GEF-4, and its overall involvement in non-RAF focal areas has increased as compared to the past. As seen in figure 1.2, UNDP

Figure 1.2

Resource Utilization by Agency and Replenishment Period



Note: ExA = Executing Agency; IA = Implementing Agency.

now accounts for 43 percent of RAF resource utilization, up from 28 percent historically.

Following the revised policy of leveling the playing field for the GEF Agencies, the role of the seven Executing Agencies has increased in GEF-4 to 17 percent of RAF utilization, compared to 7.9 percent in GEF-3 (including indirect access), or 2 percent of all historical resources. This includes $30.1 million for European Bank for Reconstruction and Development projects in Russia and Ukraine, and seven projects for the Asian Development Bank (ADB), including programmatic approach activities within the Pacific. The Inter-American Development Bank (IDB) has eight projects in the Latin America and the Caribbean region; and both the International Fund for Agricultural Development (IFAD) and the Food and Agriculture Organization of the United Nations also have GEF-4 projects.

Many reasons in addition to the RAF influence these changes. All of the Agencies have been affected by other GEF-4 reforms and the shift in roles under the RAF. Additionally, the current situation reflects UNDP's ability to provide technical assistance and capacity building supported by local offices, plus its readiness to engage in relatively small projects under the RAF. The spread of small RAF allocations over many countries makes it difficult to pursue the policy to blend international financial institution loans with GEF projects of a cost-effective size. Other, internal, funding alternatives are often easier to access than GEF support.

Roles and Relationships

Even though the RAF did not require any formal change in GEF roles apart from the Secretariat's new task of managing and monitoring the framework, the RAF has caused major shifts in roles in the GEF partnership. Combined with other reforms, the RAF has prompted the Secretariat to take on a stronger role in project inception, program development, and bilateral dialogue with countries, for which the RAF pipeline discussion was the starting point. GEF operational focal points (OFPs) report an increase in their role, mainly in individual allocation countries, from just endorsement to actual programming and prioritization. They have led national consultations to establish GEF priorities for the pipeline which have often been broader and more systematic than previously. OFPs in group allocation countries are expected to fulfill the same coordination and prioritization role, but with less programming resources.

This intensified OFP involvement does not translate into full national ownership of GEF proposals, however, since ~~as~~ the involvement of other partners such as nongovernmental organizations (NGOs), the private sector, and donors has become less extensive as consultations have shifted from a project to national portfolio level. In the midterm review survey, only 44 percent of NGO and private sector organization staff indicated that public participation under the RAF was moderately or very successful; 69 percent of Small

Grants Programme (SGP) stakeholders cited their concern that the SGP's neutral role may be undermined by governments' strengthened position in GEF planning.

Roles are still evolving in response to both the RAF and other GEF changes. For example, the role of the three original GEF Agencies has recently diminished in the strategic management of the GEF, and the Council's role has changed vis-à-vis the new project cycle and with the introduction of programmatic approaches.

Nature of the Portfolio

Although resource utilization as measured at the PIF approval stage is not yet high, some implementation trends are obvious. There is a slight increase in the MSP share over past trends (9.5 percent compared to 5.5 percent at GEF-3 midpoint). Because 93 percent of the climate change group allocation countries, and 53 percent of the biodiversity group allocation countries, have not accessed any amounts as of the midterm review, this figure may rise during the remainder of GEF-4. However, with some regional exceptions, countries and Agencies generally do not find MSPs cost-effective, as this modality requires almost the same level of procedural effort as full-size projects (FSPs). MSPs were not subject to cycle simplification. While MSPs can be a way to distribute scarce resources among more project proponents, a shift toward MSPs has implications for the cost-effectiveness of the overall GEF portfolio.

There has been a growth in multifocal area projects, from a 13 percent share of historical replenishments to 33 percent in GEF-4 so far, covering both RAF and non-RAF funds. Joint Agency projects seem to have disappeared, but because projects are split into PIF components by Agency, country, focal area, and source of funds, comparison with past practice is difficult. The division of funds under the RAF—among countries, focal areas, and exclusions—has increased the need to draw on several sources to develop a feasible project, so the substantive synergies of such multifocal area projects are uncertain. This is also the case for the 12 approved programmatic approaches, some of which are being applied for a given country, some for regional programs, and some for global. The programmatic approaches may present a solution to low resource utilization for some countries, but it is too early to discern any effects. The Fourth Overall Performance Study (OPS4) of the GEF will address new evidence as to whether and how these approaches increase efficiency as currently implemented.

Resource utilization for enabling activities is also down, with only 10 approved enabling activities in biodiversity and none in climate change during GEF-4. Enabling activities are part of countries' responsibilities in fulfilling their obligations to a given convention. This low usage of RAF funds may be explained by the fact that countries have thus far accessed funding from an existing umbrella program for climate change enabling activities which was approved before the RAF, and by the cyclical nature of enabling activities which reflect convention guidance. In future, enabling activity funding is supposed to be accessed from RAF allocations. However, their cost could deplete the full amount allocated for countries in the group allocation, leaving no funding for other projects. The Cartagena Protocol on Biosafety is of particular concern in this regard, as it is the only protocol fully supported by the GEF as the financial mechanism. So far in GEF-4, a biosafety programmatic approach and 10 biosafety projects have been approved in the biodiversity area; this is less than expected given historic patterns. In GEF-3, most support for biosafety ($21 million) was provided though global projects. The RAF appears to have slowed the momentum created by the previous global biosafety project. The Delphi experts consulted during the midterm review agreed that biosafety is best addressed as a transboundary issue outside the RAF design.

Cost-Effectiveness

It is too early to say if the RAF has been cost-effective, but trends so far are not favorable. The RAF's cost-effectiveness will depend primarily on whether it improves the GEF's impact. In the short term, the RAF has yielded benefits in terms of better planning and ownership in some countries, and has improved predictability of funding for individual allocation countries. However, its effects on the GEF portfolio and pipeline have so far been mixed. On the positive side, some countries with large allocations have been able to bring more coherence to their portfolios. On the other hand, the RAF may have encouraged a broader spread of resources, smaller projects, and an "entitlement mentality" among some member governments.

The RAF development process was a long and laborious investment. It did not have the benefit of significant involvement by NGOs, civil society, and the private sector; this has led to a consequent loss in opportunities to broaden the effectiveness and range of GEF resources. As few projects have been approved, and even fewer started, the hidden opportunity costs of delays in impact can be large.

The RAF's cost-benefit has not been fully demonstrated compared with the previous system or with other performance-based allocation (PBA) systems in terms of value for the money. Small allocations coupled with extensive GEF requirements have reduced cost-effectiveness both at the portfolio level and the project access level, due to extensive consultations, wasted efforts, re-endorsements, dropped projects, and complex procedures for obtaining approvals for proposals. Results have not materialized. Cost-effectiveness can be enhanced by increasing overall funds and country allocations (which would entail the same effort but yield more benefit), decreasing efforts to access existing funds (which would require less effort but would yield the same benefit and quality at entry), or—preferably—some combination of both of these measures.

1.2 Main Conclusions

Overall, the RAF has been implemented in accordance with Council decisions. This does not imply that the underlying objectives have been fully achieved, as the transition to a new way of providing resources has been challenging. When reviewing the RAF design, implementation, and comparative experiences, the midterm review found that these issues are to some extent interlinked. Some difficulties in implementation are caused by the rigid design rules of the RAF; in other cases, the design is reasonable but operationalization has not worked well. Some implementation problems are linked to the fact that the GEF mandate, practices, and RAF design differ from those of other PBA systems.

Conclusion 1: The GEF is operating in circumstances that intensify the need to allocate scarce resources purposefully.

Internationally, there has been an increased demand for harmonization, alignment, ownership, and fitting of external funding with national priorities and strategies. To address the issue of scarce resources and promote national programming, resource allocation systems have been put in place in most if not all multilateral funding agencies. The United Nations (UN) agencies tend to have needs-based allocation systems, while the international financial institutions tend to combine needs and performance indicators.

The fourth replenishment of the GEF has delivered less money in real terms than previous replenishments. At the same time, the number of GEF focal areas has increased to six. New issues continue to emerge, and the urgency of tackling global environmental problems has increased. Furthermore, a relatively large number of eligible countries received no GEF support in the past; in consequence, less money must be spread over more countries to perform more tasks. To meet the guidance and expectations of the conventions and address the growing number of environmental challenges, returning to an ad hoc system of funding delivery is no longer an option. However, the resource allocation system now adopted by the GEF needs specific improvements if it is to be an effective tool in resolving these issues.

The RAF was not introduced based on an assessment of the existing system for producing global environmental benefits. The historical approach to global environmental benefits has been based on the GEF Operational Strategy, operational programs, and strategic priorities established for each replenishment phase. While these strategies and priorities are still in place, the country-based nature of the RAF poses intrinsic challenges in managing and monitoring the pipeline and portfolio to meet them. It may also curtail opportunities to promote new project modalities and innovative corporate initiatives, such as cooperation with NGOs and the private sector.

Conclusion 2: Data and indicators for assessing global environmental benefits used in the RAF reflect the best information available today, with some gaps that should be addressed over time.

In general, the indicators for biodiversity and climate change reflect the best scientific data currently available. There are, however, efforts to develop responses to data gaps within the scientific community that may represent improvements to the RAF indexes in the medium to longer term. The Delphi study did not support extending the biodiversity indexes to include agrobiodiversity, and raised questions as to whether biosafety can be addressed appropriately through indexes. The Delphi experts strongly support the inclusion of marine invertebrates and ecosystems, for which data are now available or emerging.

Simulations to respond to the issue of **marine/terrestrial balance** demonstrate that a 50/50 weight with the current data would bring five SIDS up to individual allocations, while seven countries (including one small island developing state and four landlocked countries) would move from individual to group allocations. For SIDS currently receiving individual allocations, amounts would increase for five, and decrease for two, countries. Because individual recipient countries also have large marine resources, their GBIs increase when the weights are modified. It is not clear if new data on biodiversity ocean resources would change this pattern significantly. The individual allocation countries currently have 85 percent of the accumulated marine score (and 89 percent of the accumulated terrestrial score). No consensus emerged among international experts on what the ideal weight balance between marine and terrestrial resources would be. There was some argument that given the lack of a scientific foundation for weighting, a marine species should be treated the same as a terrestrial species, without weights.

Adaptation and vulnerability to climate change are not reflected in the current climate change index. International experts strongly agreed that more should be done to balance funding between adaptation and mitigation in developing countries. However, no agreement emerged on a best practice or standard to use to reflect the scale of vulnerability or adaptation needs.

Also regarding the climate change index, the GBI_{CC} formula multiplies a "need" variable (emissions) with a "performance" variable (change in carbon intensity). This makes the weight difficult to interpret and means that emissions dominate the allocations. Consideration should be given to full recognition of energy intensity improvements. The Delphi experts stated that neither the overall size of a country's emissions nor its economic growth are reliable proxies for obtaining the most emission reductions for the money spent. They found that energy intensity was a good indicator because of the significant potential in reducing emissions through improvements in energy efficiency.

Conclusion 3: The RAF does not provide effective incentives to improve performance.

A premise of the RAF is that good performance should be recognized with higher allocations. Member countries should be able to see improved practices leading to higher RAF scores, which in turn should improve their initial allocation. The relation between incentives and behaviors is complex and depends on a government's understanding the link between its performance, its scores, and the grants it receives, as well as its ability to influence the achievement of global environmental benefits and performance scores. The incentive depends on how much a country can realistically aspire to improve its allocation. Neither focal points nor other stakeholders have been given a clear understanding of what performance means in the GEF context or how to address it.

Most stakeholders perceive "performance" as the quality of GEF projects. However, the performance of the environmental portfolio has a relatively low weight in the performance indexes (5 percent for ongoing GEF projects), which means that improving the performance of this portfolio will only lead to a very limited increase in the allocation. The weight of ratings for closed projects is another 5 percent. For the other general performance indexes on environmental policies and institutions and enabling environment, their improvement will not be incentivized through the promise of slightly more GEF funding, given the marginal share of funding accounted for by the GEF in almost all countries. The 57 countries with individual allocations in biodiversity accumulate 41 percent of the GPI scores, while the 46 climate change individual allocation countries accumulate 35 percent of GPI scores; in both cases, this is less than their benefits scores. The investments to improve environmental policy and institutions far outweigh the level of increase in GEF funding that such performance improvements might bring. Even with a higher weight assigned to the GPI, fine tuning the performance indexes is unlikely to make a difference unless the overall amount available to the GEF increases dramatically. The weights would need to be changed to a large extent to make a difference, with subsequent volatility in allocations.

The RAF design specifies that 75 percent of accumulated resources will be provided as individual allocations to countries in accordance with a formula based on country ranking, with the remaining countries receiving a joint group allocation—a parameter unique to the GEF among PBA systems. Because of this 75 percent rule, most group allocation countries will remain in the group even if their performance improves greatly. Availability of more funds will benefit the category of individual allocation countries in the top 75 percent. The group allocation countries with preliminary ranking close to the 75 percent cutoff point may move up to an individual allocation, as five did in the 2008 reallocation. However, there are no incentives for improvement, because countries have not been made aware of their preliminary allocations and ranking.

A general concern has been that recognition of performance would be detrimental to recognition of needs, especially in the LDCs. This is correct with regard to the general performance indexes, where low capacity and less institutional development may result in a low score. It is not correct for the performance of the environment portfolio, which would be geared toward the specific needs of the country. A project in an LDC could substantially differ from a project in a medium-income country, yet achieve high outcome ratings. Currently, however, the environment portfolio overall only contributes 10 percent to the GPI.

Conclusion 4: Unclear guidelines have limited the access of the group allocation countries to GEF funds in the first period of the RAF.

In total, the approximately $148 million designated for each group allocation is the same as it would have been if all allocations had remained individual, including a small supplement (about 2 percent of total focal area funds) for 88 countries without sufficient data to compute a meaningful allocation. The group allocation system could in principle provide flexibility to countries and the GEF while providing for equality in resources, but not in the way it is now implemented. The small allocations can in themselves serve as a barrier to access of funds.

The portfolio overview demonstrates this finding, which also emerged in the stakeholder consultations. There was a general lack of understanding by countries regarding how to react to being in a group, especially for countries with limited capacities. Utilization by the 44 LDCs was just 8 percent, compared with 40 percent for the 106 non-LDCs, in spite of the fact that their allocations are limited. By region, countries outside Africa (98) have on average utilized 39 percent of their biodiversity allocation as compared with 14 percent for 52 African countries.

The group allocation countries were issued conflicting or incomplete guidance on pipeline management under the RAF. Most of their proposals were discouraged in the teleconferences with the GEF Secretariat (the biodiversity group allocation countries had 75 percent of their proposals discouraged). While individual allocation countries also experienced a high level of "rejection," they had more proposals to continue developing. Group resources allow the GEF to fund projects up to $1 million for all countries in the group for both focal areas, but are insufficient for funding the upper limit for every group allocation country. Countries are now struggling to develop small projects for $1 million while complying with the ambitious focal area strategies. Some countries have been too discouraged by the high transaction costs associated with a $1 million MSP—even though they could receive the grant without competitive review—to even develop proposals. The GEF Agencies were incentivized to give priority to countries with an individual allocation. The programmatic approach was developed as an answer to the problems that emerged, but it took time to convey this to the countries concerned, and there is no evidence that such approaches lead to increased or faster access for the majority of countries.

The Secretariat has given group allocation countries until the end of December 2008 for proposals up to $1 million, after which access will be based on competition. Individual allocation countries are not subject to such time limitations, although six biodiversity and eight climate change countries have accessed none of their individual allocations. The associated resources total $126.5 million, a comparable amount to the unspent group funds.

Conclusion 5: The complexity of the RAF's implementation rules does not encourage flexible and dynamic use of resources given the relatively small GEF-4 funding.

Some rules were adopted by the Council that decrease or hamper the flexibility of the RAF.

The rule that only 50 percent of allocations can be utilized in the first two years (the **50 percent rule**) appears to be unnecessary—it has hindered resource utilization, and it is not necessary to keep funding in the first half of a resource allocation system within bounds. For the group allocation, there is no need to limit proposals to 50 percent of a hypothetical maximum amount, which further decreases cost-effectiveness for these countries. The assumption underlying the 50 percent rule does not hold true: that it would serve as an incentive or consequence for changes in performance at midpoint. Furthermore, the rule is not needed for liquidity purposes, as the experiences of other PBA systems show. The rule is not an international standard, as other PBA systems have more dynamic approaches to limiting "front-loading" of funds and yet ensuring periodic revisions in allocations as incentives. It does not make sense for the levels of funding available, particularly for the group allocation countries.

More importantly, **rules for reallocating funds** in the crucial last phase of the RAF are not in place. The current rules envisage that remaining funds will be turned over to GEF-5 rather than be used where good opportunities for global benefits and high performance exist. The introduction of the RAF has caused a lag in resource utilization, with uneven demand and capacity to deliver. The reallocation did not lead to substantial changes in allocation, given the lack of some new data in biodiversity, the nature of the RAF formula, and limited changes in the GPI. The reallocation for the GEF is mainly a recalculation of the indexes, rather than shifting resources based on a flexible assessment of demand and supply as is done by many other PBA systems. Unused funds at the end of GEF-4 are not of benefit to the global environment.

Perhaps more than the indexes themselves, **other design factors** are very influential in shaping the pattern of resources countries may obtain. The indicators are based on scientific and analytical work, but the other design parameters described are based on strategic policy decisions. These parameters include the weights that describe the quantitative relationships among the indicators, the 15 percent ceiling in climate change, the 75 percent rule of all focal area resources (not country resources) going to the countries with the highest accumulated ranking, the 10 percent set-aside for global and regional resources, and the 50 percent rule of resource utilization. These factors determine how much countries receive, and who receives group versus individual allocations.

Conclusion 6: The RAF design and rules are too complex for a network partnership such as the GEF, and the guidelines and support provided have not succeeded in making the RAF transparent and accessible.

Strong efforts were made to communicate the RAF to focal points once the framework was approved, and these have continued over the last years. The agenda of reform adopted by the Council and CEO also entailed extensive communication work. In spite of these efforts, the system is not transparent. The design is too complex to communicate easily, and many elements that could have been disclosed have not been made public. It may not be realistic for all involved to obtain broad and in-depth understanding of the technical measurement issues, and the details of how the RAF formula works may not be needed for most stakeholders. However, country partners do need to be informed of (1) the maximum the country could obtain in a grant, (2) the country's performance on all three indexes relative to other countries, and (3) what actions would likely increase the country's performance scores in the next round.

Gaps in knowledge and limits of the institutional capacity of focal point offices and project proponents, as well as of local Agency offices, continue to affect the pipeline, especially in group countries, LDCs, and Sub-Saharan Africa. The GEF-UNDP Country Support Program and the GEF country profile pages have been helpful in providing basic information to focal points. However, the traditional support mechanisms may not be sufficient for the kind of training and continuous support needed for a multicomponent, multidimensional system with so many different actors and country categories. Exclusion from pipeline discussions and shifting implementation arrangements have hampered Agencies' ability to provide clarification and support to countries. Furthermore, a key actor in the RAF implementation—the GEF focal point—often has not been provided with the crucial elements and tools to fulfill its new role, either by the respective government or by the GEF. In most cases, the GEF is only a small part of the work program performed by these individuals, and therefore they cannot support RAF implementation to the requisite extent. Some focal points indicated that the implementation of the RAF has taken too much of their limited time. Focal points, especially in individual allocation countries, are now expected to establish and manage systems for programming and project selection.

Corporate reforms and requirements have had effects beyond their intended purpose of addressing previous problems in the new RAF setting. The stoppage of the 2007 pipeline, the suspension of work programs due to lack of funds in the transitional period, and the requirement for re-endorsement of concepts and reformatting as PIFs have all contributed to a slowdown in pipeline development. The simplification of the GEF project cycle was greatly appreciated by all stakeholders, but the new cycle seems to present its own barriers because of seemingly ever-changing and expanding PIF templates and screening. Pressure to spend funds within a four-year window makes both cycle and cofunding requirements more difficult to address in many countries. For Agencies, additional functional demands from the GEF, changes in financial circumstances, and lack of clear guidelines have discouraged staff from working with the GEF.

The RAF design did not it itself cause the slow utilization of funds currently observed; implementation did, combined with the slow start of GEF-4 and the reform agenda. Clear and simple rules are indispensable for a network partnership as complex as the GEF, in which a variety of actors have many different levels of capacity and are located all over the world. In the initial phase, issues of design, rules, allocation, and operation cannot be easily separated and have led to confusion. Ambiguity and occasional inconsistencies in guidance have further slowed resource utilization. The 2006–07 teleconferences between countries and the GEF Secretariat were highly appreciated in intent, but the potentially positive effects of these bilateral discussions on pipeline priorities were restrained by unclear responsibilities for action points; this resulted in a lack of systematic follow-up by the concerned parties—especially regarding group allocation countries—and frequently heightened the confusion felt by country stakeholders and Agencies.

The programmatic approach is also taking much effort to get off the ground. The GEF Secretariat does not have the personnel available to play the central role needed in the complicated system, given the concurrent implementation of the RAF and ongoing GEF reforms.

Conclusion 7: The RAF has increased country ownership in countries with an individual allocation and has had a neutral or detrimental effect on country ownership in countries with a group allocation.

For several larger individual allocation countries, such as India and Russia, the predictability of a sizable amount has galvanized the focal points and attracted political interest, and promoted more coherence to country portfolio planning. Other countries with historically large utilization continued their existing approaches to pipeline development. Overall, there has been a growth in the establishment of committees and informal and formal consultations; national consultations have shifted from a focus at the project level to greater attention to the portfolio as a whole. This trend has focused attention on the GEF focal points and away from the project proponents who are often located in sector ministries or the GEF Agencies. RAF implementation also appears to have empowered focal points in negotiating with GEF Agencies.

The concept of country ownership contains certain intrinsic tensions. Extensive consultations are time consuming and can, in some cases, be linked to slow utilization. And, although country ownership is essential to the planning and delivery of GEF projects, country environmental priorities may be at odds with those of the GEF Secretariat and Agencies. The experience with the RAF pipeline negotiations brought out more strongly the inherent conflicts between the criteria of global environmental benefits and country-specific sustainability needs. National consultations identified a broad range of priorities, and subsequent rejections of ideas and proposals had a dampening effect on engagement for the GEF, and sometimes put focal points in a difficult position. This circumstance has worked against the underlying RAF objective of providing a framework within which countries can program their resources in accordance with national priorities.

While 63 percent of survey respondents agree that the RAF may strengthen country roles in portfolio planning, many—if not most—group allocation countries believe that empowerment has not materialized. There is disenchantment with small allocations that cannot be realistically programmed, with changing rules that are difficult to understand, and with expectations of predictable levels of funding that cannot be accessed. In most countries, a frequent turnover of the focal point position makes it difficult to sustain a sense of ownership in or and knowledge of the RAF.

Also, in practice, "country ownership" may—or may not, depending on particular country circumstances—involve engagement and consultation with a broadly representative group of stakeholders at the national and local levels. While there are a few excellent examples of NGO and civil society cooperation under the RAF, such as in Honduras, Madagascar, and Uganda, in the majority of countries the involvement of the NGO community has not improved, and the private sector is largely excluded from project proposals and government-led consultations on the GEF portfolio.

Conclusion 8: The exclusions did not work well and may have diminished the effectiveness of the GEF in the delivery of global and regional environmental benefits.

There has been a significant drop in available global and regional resources, from historic shares of 23 percent in biodiversity and 20 percent in climate change to the 10 percent fund under the RAF that is excluded from the formula, of which 5 percent ($50 million) is set aside for global and regional projects per RAF focal area. In spite of the reduction, the use of global and regional resources is only at 16 percent of biodiversity funds, but 52 percent in climate change. Although countries recognize the importance of transboundary environmental issues, there is a general reluctance to give up country allocations for such purposes due to cultural and regional constraints, national ownership, and past experience with such projects.

The "clear set of policies…for [its] use in the context of the revised focal area strategies" promised to the GEF Council in June 2007 has not been made available (GEF 2007f). The current trend, in which funds are earmarked by the Secretariat for different purposes, is the use of **global and regional resources** to top up or complement country or group allocation PIFs in the context of programmatic approaches. The underlying GEF intent—to use the 5 percent to support some coordination efforts or the development of programmatic approaches—has not been made clear to countries and blurs the lines between what is best served by global, regional, or country activities. There is also considerable "taxation" of focal areas for corporate and global activities.

The purpose of the global and regional exclusion (GRE) was to support projects of a global scope that were not funded by countries and multicountry cost-effective projects with benefits beyond each country. The lack of transparency and participation in the management of the exclusions have led to a sense of confusion among country and Agency stakeholders, and has raised doubts as to whether the objectives can be achieved.

The reduction in global and regional funds has affected Agencies such as UNEP, whose support has been dominated by global and regional projects (85 percent of its biodiversity funds and 81 percent of climate change). It has also affected countries that were previously recipients of such support and specific focal area priorities. International experts agree that biosafety is not covered well in the indexes or through country allocations, and could potentially be treated as an exception as well.

For the **Small Grants Programme**, the introduction of the RAF seems to have contributed to a shortfall in the agreed amount by the GEF-4 replenishment. Of a maximum of $200 million, $80 million was to be set aside from RAF global resources; the SGP could also obtain country RAF allocation contributions. Both of these RAF contributions have fallen short. The SGP Steering Committee decisions capped the RAF contributions for at least 29 countries that wanted to provide more funds to the SGP of the 74 countries that have intersecting SGP and RAF individual allocations. During the first year of the SGP's fourth operational phase, participating countries contributed a total of about $18 million from their RAF country allocations. The predictability of funding has been reduced for the SGP, and the influence of host governments has concomitantly increased. In countries using RAF allocations for the SGP, it is impossible to comply with the agreed strategy of diversifying the SGP portfolio, as the funds can only be used for climate change and biodiversity grants.

To access $300,00 to $400,000 from country RAF funds, the SGP must provide a strategy for the use of RAF funds—even though a country SGP strategy already exists, and countries with large individual RAF allocations have no such requirement. Cost-effectiveness is reduced by the level of negotiations required, an increased workload, separate accounting, the shift in the portfolio, additional requirements, and lost opportunities for the NGO community and civil society.

1.3 Recommendations

The introduction of the RAF can be seen as part of a worldwide movement toward harmonization and aid effectiveness. Many international financial institutions introduced PBA systems at the same time as the GEF, although some will argue that the GEF is not a typical international financial institution, and that the UN system has generally introduced needs-based allocation systems. Several of the problems in RAF implementation stem from the fact that the GEF is not a development bank, but rather a complex partnership for the global environment.

The following recommendations relate to both immediate and short-term actions to improve RAF implementation for the remainder of the GEF-4 period and medium-term actions for enhancements for GEF-5 and perhaps beyond.

Recommendation 1: Reallocation of unused funds should be allowed in the last year of GEF-4.

Current rules envisage that remaining funds will be turned over to GEF-5. The resource utilization issues that many countries are now experiencing were, naturally, not anticipated when designing the RAF. This is the appropriate time to introduce such rules. The issue is made more acute by the new definition of resource utilization. Even though the PIF does not constitute a legal obligation, the funds are set aside as a commitment. There is room to speed approvals while maintaining conservative risk management. Keeping the GEF-3 experience in mind, whereby the last work program was so large it caused absorption problems in the system, it is important to ensure that countries can use funds within the bounds of the current replenishment period.

Potentially, a high level of funding will remain unused at the end of GEF-4. The GEF should determine whether countries plan to use the allocation and should then be allowed to reallocate any potentially unused funds to countries that have a portfolio of proposals ready for funding. Other PBA systems have rules to this effect, and these rules can be adapted to specific circumstances for the last year of the RAF. Three alternatives are (1) iterative reallocations of funds for the entire set of countries, winnowing out lack of demand, as is done by IFAD; (2) case-by-case pair-wise country-to-country reallocations, as is done by the World Bank's International Development Association (IDA), but only from lower performing to higher performing countries; or (3) meeting funding gaps in corporate programs and exclusions.

Recommendation 2: The last phase of GEF-4, including reallocation of funds, should be implemented with full public disclosure, transparency, participation, and clear responsibilities.

With the implementation of the RAF, the role of the GEF Secretariat has changed, but there are no clear terms of reference in place delineating its new role and responsibilities. Given the restructuring and new teams in place, countries are not sure where to turn, or even if the Secretariat or an Agency should provide a response. The new GEF management information system is not yet operational, and the current systems are insufficient for providing countries with proposal status. The Agencies together with the Secretariat should establish routines and responsibilities for informing countries of pending proposals and ideas. Corporate reports should be made more explicit as to the source of funds and funds available. Planning for and use of GRE funds should be made transparent to countries and Agencies, especially when programmatic approaches are involved.

The bilateral contacts between the Secretariat and countries can be indispensable for clarifying eligible proposals, which seems to have been a key barrier, but will continue to lead to miscommunication unless the Agencies that develop the PIFs and project documents are involved. The focal area task forces and executive coordinator meetings, as well as the disbanded RAF Task Force, would serve as useful mechanisms for agreeing on operational guidance and strategies that work.

More transparency and better communication may have prevented or alleviated some of the problems faced. The need for training and continuous support should not be underestimated. Traditional support mechanisms may not suffice. An increase in support funds for the focal points should be considered, but this will not be enough in helping governments develop a portfolio quickly. A "RAF hotline," online training packages, and more effective constituency meetings and exchanges would help. More can be done to keep stakeholders informed electronically.

Recommendation 3: Implementation rules need to be simplified.

In the transition to a new resource allocation system like the RAF, a strong effort has to be made to maintain both the project pipeline and implementation momentum. Delay in identifying and implementing projects can result in large opportunity costs. The composition of the project pipeline, in terms of project size and focus, needs to be monitored and managed to ensure that unforeseen bottlenecks are not created by the new system.

A moratorium on additional requirements for project identification and formulation for the remainder of GEF-4 should promote the stability that will allow countries and Agencies to program. Further simplification of MSP requirements is overdue given the level of allocations and small financial risk, but associated high transaction costs.

More specifically, the Agencies and countries need to have incentives for developing proposals. Allowing countries more leeway to reflect national priorities and choice of implementing Agency would reduce delays and strengthen ownership without undue risk to quality. The group allocation countries should not be subject to requirements that are the same as or more stringent than those applied to large individual countries with more capacity.

The use of programmatic approaches is promising but needs development. While it is too soon to assess results, it is already clear that the key principles for the programmatic approaches need more vigilance. There is room to improve national ownership, transparency, participation, and catalytic role and leveraging; ensure an open and transparent process of multistakeholder representation; increase cost-effectiveness and reduce transaction costs; and provide incentives for the Agencies to support programmatic approaches. Moreover, ~~close~~ careful follow-up and attention are vital with regard to the development of country PIFs. Clarity in negotiations of funding composition are needed, and operational guidance has been requested.

Overall rationalization and reconciliation of RAF requirements with the SGP must be taken into consideration. Some of the effects of the constraints on the SGP introduced by the RAF's implementation could be mitigated. An increase in program expenditure caps for countries such as India, Mexico, and the Philippines, which have considerable capacity to absorb GEF resources through small-scale interventions, would help these programs produce global environmental benefits in a cost-efficient manner. It is also recommended that those SGP country programs receiving only RAF funds be allowed to access a relatively small level of support from SGP core funds. This would lessen the current imbalances in the project portfolios of these country programs.

Recommendation 4: Steps to improve RAF design and indexes for GEF-5 should be taken now.

The previous recommendations would serve to support immediate improvements to implementation. Issues for GEF-5 are more systemic, and not as easily remedied. Given the novelty of a PBA system for a partnership with a global environmental mandate, some elements of the RAF were untried and now merit revisiting. Work related to the RAF for the start of GEF-5 in 2010 should start now. The initial experience shows that timely launch, planning, and resource availability are crucial.

As seen from the above, what could have been a relatively straightforward PBA system has evolved into a complex framework. Each member country has a maximum amount it may request, but no amount is guaranteed; rather, countries and Agencies must propose quality projects to access the funds. There will always be inherent complexities in a system that has uncertain allocations, but an entitlement system is not feasible. On the other hand, the GEF should ensure that it facilitates access to the resources allocated under the RAF. This calls for improvements in both design and implementation for GEF-5 in the following areas:

- Improvement of the GEF benefits indexes and
- Increased weight accorded environmental portfolio performance
- Improvement of predictability and cost-benefits for the group allocation or discontinuation of the group allocation
- Reconsideration of ceilings, floors, and the 50 percent rule
- Recognition of transboundary global environmental problems
- Expansion of the RAF to one integrated allocation for all focal areas

1.4 Issues for the Future

The following suggestions on issues to address require consultation with all GEF stakeholders. The issues entail design elements (indexes, weights, exclusions, group allocation redesign, expansion), but also depend on good strategies for implementation (transparency, information, planning, simplification). In moving to improve the current RAF, aspects of design and implementation must be considered together. There is, of course, a risk that further modifications may make the system more complex; care should be taken to ensure simplicity and to plan strategically for implementation. OPS4 will continue to gather evidence as it emerges during the last period of GEF-4 and provide further input to these issues for the future.

The Indexes for Global Benefits and Their Respective Weights Should Be Improved for GEF-5

The RAF has been efficient in using data that are already publicly available and should continue to do so wherever possible. Further design work should be participatory, with mechanisms to involve countries, Agencies, NGOs, and the GEF Scientific and Technical Advisory Panel (STAP).

While the index for biodiversity is appropriate as it is at present concerning threats and representation, any decision on respective weights is a policy matter for the GEF to decide with the advice of biodiversity experts. Information on different species such as marine invertebrates can be added. A better marine/terrestrial balance would signal the importance attributed to different ecosystems, although actual allocations may in the end not differ significantly.

Experts agree, as do many stakeholders, on channeling most of the funding for adaptation to the most vulnerable countries, if most of the funds under the GBI_{CC} go to mitigation in countries with more emissions. The separate funding windows may not suffice to address adaptation needs; furthermore, the country stakeholders find it increasingly difficult to keep track of different paths of access for different funds. This goes beyond the possible data content of the indexes to a discussion of the strategy of adaptation in the climate change portfolio. If the separate Adaptation Fund is expected to address these needs, there is no need to include adaptation in an index for mitigation funding.

Climate change Delphi experts would like to see the indexes improved with more representation of gases and sources of GHG emissions—including agriculture and land use change, deforestation and forest degradation, gas flaring, and industrial non–carbon dioxide—but recognize that such emissions are hard to determine accurately. The data from national communications could possibly be used to verify the accuracy of global data sets, but this would need further study. The climate change index should be made more harmonized and transparent by weighting and adding emissions and energy intensity, or by adding a new variable to give appropriate weight to improvement in the GBI from period to period.

There is currently no link between the content of the indexes that provide the allocations and how these allocations may be used. In biodiversity, for example, the GEF does not fund species conservation; rather, allocations are based on species. The GEF should consider the opportunity for policy dialogue with countries and the enhanced focus that the data can provide. If new aspects are included in the RAF indexes—such as adaptation, vulnerability, and marine sources—they should be accompanied by focal area strategies to permit expenditure of resources on these priorities.

The Relative Weight of Environment Portfolio Performance in a Country Should Be Increased in GEF-5 to Ensure That Performance Is Rewarded

The RAF is not serving as a realistic incentive structure for performance or global environmental benefits. The incentive depends on how much a country can realistically aspire to improve its allocation, as well as the government's understanding of the link between its performance, its scores, and the grants it receives. Most important, it depends on the ability of those involved to improve such performance. The GEF focal points, who are most invested in the GEF portfolio, generally do not have direct influence over the aspects measured by the index, and the funds are insufficient to serve as an incentive for other authorities.

Merely increasing the exponent weight of the GPI compared to the GBI will not in and of itself provide sufficient incentives in the environment field that are within the reach of the GEF to influence. It might be more relevant to reward more recent improvement in GEF project performance by assigning a higher weight to the portfolio performance indicator. There is inevitably some tradeoff between stability (by being averaged over a long period of time, as is currently the case) and responsiveness and accuracy (by emphasizing recent performance). The index should also increase its relevance by adding ratings from the final evaluations of GEF projects. When the RAF was designed, a relatively low number of terminal evaluations had been reviewed by the GEF Evaluation Office. It is expected that at the start of GEF-5, a credible number of evaluations and an acceptable geographical coverage will have been achieved. This will be reported on further in OPS4.

Increasing the relative importance of the environment portfolio will provide better recognition of achievements and results in LDCs and SIDS, which may achieve high outcome ratings in their portfolios even while scoring relatively lower in general institutional performance. Current international practice puts the portfolio percentage between 5 and 30. With 10 percent, the RAF is at the lower end of the range; its performance percentage could be increased to 30.

Predictability and Cost-Benefits for the Group Allocation Must Be Improved or the Group Allocation Abandoned

Realistic expectations and a clear vision need to be established for the group allocation if it is to continue. Two conflicting perceptions are observed: (1) the group allocation represents a "minimum" equal level of resources for countries, so that countries with higher needs would be guaranteed some support; and (2) not all countries would normally access funds during a phase, so it is acceptable that resource utilization is low. The first vision was emphasized when introducing the RAF, and it has raised high expectations; implementation, however, seems to have focused on the second. The current push to provide access for group allocation countries through programmatic approaches is promising but at this stage may not include all permanent measures needed for countries with capacity issues for GEF-5. OPS4 will continue to study the development of programmatic approaches.

Many of the group allocation countries previously benefited from regional support and enabling activity umbrella projects, which have diminished under the RAF. Countries instead have the opportunity to obtain resources from a pool. Their proposals for individual country projects have largely been discouraged. The Secretariat and Agencies are now expending considerable effort approaching the countries in an effort to convince them to put the funds back into a regional programmatic program, so that they in turn can be provided with individual country PIFs. This roundabout way of programming is not a cost-effective use of scarce GEF resources and is very frustrating to countries. In addition, the smaller countries face higher transaction costs in accessing GEF funds than do larger GEF recipients. The small allocation, combined with the difficulty in getting projects through, is judged to be not worth it for many countries and Agencies.

Whereas transitional "hiccups" and mixed guidance may explain some of the challenges these countries have encountered, the midterm review found that the problems are more systemic, linked to capacity limitations, lack of predictability and transparency, and focal area strategies. In all scenarios for the group allocation, improvements would require clear and consistent guidance from the GEF in cooperation with the Agencies, improved communication on the status of proposals and programming, lessening the requirements of focal area strategies for small allocations and allowing more country-driven proposals, and simplifying the procedures and bureaucracy for small projects/MSPs.

Two options for changing the group allocation are possible, depending on the desired balance of flexibility, simplicity, and predictability:

- **Option 1.** Abandon grouping, so that all countries receive individual allocations. A minimum allocation of $1 million could be provided for those countries with preliminary allocations below that amount; all other countries could receive their preliminary allocation.
- **Option 2.** The group pot could be divided regionally, so that opportunities for programmatic approaches and regional collaboration could be maximized.

The 75 percent rule in the RAF design is very influential in shaping the pattern of resources countries may obtain, how much countries receive, and which countries receive group or individual allocations. The 75 percent rule of allocations to the top-ranked indicative countries is not an internationally accepted PBA practice. An advantage of abandoning the group allocation system would be that the 75 percent rule could be discontinued, thus allowing more countries to benefit from predictable allocations while ensuring that the formula is applied.

Transboundary Global Environmental Problems Need to Be Better Recognized and Served in a Revised Resource Allocation System for GEF-5

Global and regional activities are considered part of the core mandate of the GEF, and resources should be made available for them. Motivation for global and regional funding could be stimulated by a "transboundary premium" of say, 15 percent, on appropriate projects and country allocations. The share of global and regional projects could be reconsidered, but with a clear view of what the exclusions should facilitate to improve achievement of global and regional environmental benefits. If purely focused on global matters, a small allocation may suffice; if used for incentives to regional projects, programmatic approaches, and corporate initiatives and flexibility that cannot be ensured through the country allocation, it does not suffice.

The SGP now finds itself spending considerable time and effort mobilizing resources from the GEF, rather than—or in addition to—seeking new and additional financing. A reasonable level of core financing should be secured for the SGP, and it should be enabled to pursue the policies of expanding focal area attention and resource mobilization.

Reexamination of Ceilings, Floors, and the 50 Percent Rule Should Be Considered

Lowering the ceilings for how much one country can be assigned to 5 percent of focal area funds could also be reconsidered; this would ensure a more even distribution of funds or, alternatively, more resources for global and regional exclusions. Simulations show that a 10 percent ceiling is not effective in modifying current allocation patterns, while lowering the ceiling to 5 percent has a significant impact.

Lower ceilings would likely increase the equity and effectiveness (economic efficiency) of the RAF, particularly for climate change. A staggered reduction could be possible by reducing the ceiling in the biodiversity focal area to 5 percent and the ceiling in climate change to 10 percent in GEF-5, and to 5 percent in GEF-6.

The establishment of floors is now redundant, as the $1 million floor is applied to countries, but then countries and their floor allocations are pooled in the group allocation, so the floors are not effective. Allocation floors would be appropriate to ensure a minimum level of funding for obligations to the conventions. For the majority of countries, $1 million should suffice for this purpose. However, if countries would want to use GEF funds for global environmental benefits, the provision of support to enabling activities through country allocations may not be an effective approach. Furthermore, the "minimum" level of GEF support that would be reasonable for countries to promote global environmental benefits may vary from country to country, and from Agency to Agency, with some mentioning $4 million as a practical level. The GEF may want to consider the level of floors, particularly as it has already been determined that $1 million is limited for producing extensive global environmental benefits.

The 50 percent rule should be replaced by transparent and dynamic approaches for limiting front-loading of funds as necessary, while balancing availability of funds with stimulation of resource utilization. The Secretariat, on the advice of the GEF Trustee, should be allowed to put reasonable and transparent limits on spending early in the cycle, in consultation with the Agencies. In any case, the reallocation exercise would, as with other PBA systems, serve the purpose of recognizing achievements.

Introducing the RAF for All Focal Areas in GEF-5 Requires One Integrated Allocation per Country

Of all organizations with a PBA system, the GEF operates in the largest number of countries with the smallest amount of funds, and is the only donor with two complex allocation systems, one for biodiversity and one for climate change. To turn this into six allocation systems in GEF-5 will guarantee an unmanageable operation, unless the GEF replenishment would increase manifold and the staff of the Secretariat also be substantially increased. For example, the Global Fund to Fight AIDS, Tuberculosis and Malaria with disbursements to date of $10 billion, has around 400 headquarters staff. IFAD, operating with a similar level of funding as the GEF, has 225 professional staff at Headquarters, as well as some regional and country representatives. The GEF, on the other hand, is built of a network of Agencies with existing expertise, management systems, and field offices.

The call for more integrative action has been heard throughout the GEF and in the global conventions. The linkage between biodiversity and climate change, for example, has been highlighted in many recent articles. New initiatives that the Council, the GEF Secretariat, and the conventions would like to take on also require a new perspective on the focal areas as indicative rather than prescriptive allocations within country allocations. Recipient countries of the GEF are member countries of the conventions and thus are first responsible to ensuring that they implement the conventions.

New initiatives may include involvement of the private sector as envisaged in the private sector strategy, cooperation with the NGO community, and/or attention to specific thematic issues such as technology transfer. With country-based allocations, there will inevitably be some trade-offs between country priorities and corporate schemes. Such policy issues could be addressed though an allocation system either by providing separate and sufficient set-asides, or by developing incentive mechanisms for countries and Agencies to participate in and contribute to such initiatives. This would normally imply some modification of project modalities and financial incentives.

Presumably, allocations would be calculated for each focal area and then pooled for each country. The question to resolve is how much flexibility would be provided for a country to develop projects drawing upon its whole pool of funds, and how much would a country be restricted to focal areas within its allocation. As mentioned above regarding transboundary issues, special attention should be paid to international waters and the need to stimulate regional activities. At the country level, focal area spending in rough proportion with RAF scores in different focal areas may be appropriate. Providing timely and adequate information on these scores to countries would then be essential.

Maintaining flexibility for greater cost-effectiveness is indispensable. To date, experience has shown a disconnect between nationally owned priorities and GEF strategic priorities in developing the pipeline, which causes delays, frustration, and lack of access. The GEF cannot expect to provide one pot of funds to increase flexibility and cost-effectiveness, and then remove flexibility by deciding where and on what those funds should be spent. Synergies are not achieved merely by pooling funds from different focal areas together. For increased effectiveness, the GEF needs a vision or strategy on how such pooling should work within and among focal areas and at the country level.

Note

1. To obtain a comprehensive and reasonable geographic classification for analytic purposes, the midterm review used different sources of classifications, since those normally used do not cover all

the GEF-eligible countries in a consistent manner. For example, the GEF uses only four regions for project classification, which excludes the World Bank's Middle East and North Africa regional designation and UNDP's Arab States designation, but includes various classification categories for constituencies. The classification system used by the midterm review combines the six World Bank geographic regions with eight constituency classifications from the GEF:

- Sub-Saharan Africa, split into the constituencies of East and Southern Africa and of West and Central Africa
- Two World Bank Asia regions—East Asia and the Pacific and South Asia, split into the constituencies of Asia and of the Pacific SIDS
- Europe and Central Asia (called Europe and the Commonwealth of Independent States)
- Latin America and the Caribbean, split into the constituencies of Latin America and of the Caribbean
- Middle East and North Africa

See Statistical Annex #4, "Country Classification and RAF Allocations," table 6.

2. Purpose and Methodology

This chapter presents the purpose and methodology of the midterm review, as well as its limitations. See also Technical Paper #1, "Methodology and Context."

2.1 Background

In September 2005, the GEF Council

> 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 RAF was a response to the policy recommendations of the third replenishment, 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 toward maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide (GEF 2002f).

Nominally, the RAF began with the fourth replenishment period of the GEF Trust Fund, on July 1, 2006; official implementation began in February 2007 when GEF-4 became effective.

The GEF Council asked the GEF Evaluation Office to review the RAF after two years of implementation in order to examine operational experience to date. According to the terms of reference approved by the Council and based on extensive consultation with GEF stakeholders and incorporation of Council comments,[2] the **objective** of this midterm review was 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" (GEF 2007j).

The Council also asked the Office to consider the feasibility of using indicators from the UN system and to evaluate the weight of governance within the World Bank's country environmental policy and institutional assessment (CEPIA) indicator. The GEF Assembly in Cape Town (August 2006) underscored the importance of the midterm 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 GEF performance and benefits indexes.

2.2 Key Questions and Scope

The midterm review aims to address three subobjectives:

- To evaluate the extent to which the RAF **design facilitates maximum impact of scarce GEF resources** to enhance global environmental benefits

- To assess the extent to which the early implementation of the RAF is **providing countries with predictability and transparency** as well as enhancing country-driven approaches to improve the potential for delivery of global environmental benefits
- 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 subquestions of the midterm review are included in the terms of reference. Issues considered include such design aspects as relevance of the indicators, volatility, weights of indicators in the indexes, interrelationships and synergies, incentives, flexibility, and exclusions to the allocation formula. Regarding RAF implementation, the review has considered guidelines and support, policies, the group allocation, country-driven approaches and ownership, roles and interrelationships, historical comparison, barriers to and promoting factors for access to funds, the project pipeline and the nature of projects, effect on enabling activities and global and regional projects, the SGP, NGOs and civil society, LDCs and SIDS, and the 50 percent rule. In the area of contextual issues, the review researched new practices in PBA frameworks, convention guidance, and recent scientific developments and databases.

2.3 Methodology

The midterm review was managed and executed by the GEF Evaluation Office, with assistance from independent expert consultants and companies. The Office followed a mixed-method approach comprising desk reviews, interviews, statistical analysis, surveys, expert panel judgments, portfolio analysis, and stakeholder consultations. For this purpose, material was analyzed using ATLAS.ti qualitative data analysis software. Eight supporting technical papers and four statistical annexes detailing the use and results of these methods are available on the GEF Evaluation Office Web site.[3]

Document Review

To establish the underlying goals and expectations of the RAF, the midterm review began by looking at the policy framework. The review codified hundreds of Council documents and all joint summaries on the RAF and related subjects, reports from the working group and inter-Agency task force, guidance from the global conventions, GEF Assembly documents, and all written comments received during the RAF development process. Information was also obtained from consultations during other evaluations such as that examining the GEF's catalytic role, impact evaluation field visits, and terminal evaluation verification missions.

In addition, 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 such recently completed evaluations as the Joint Evaluation of the GEF Small Grants Programme; the Joint Evaluation of the GEF Activity Cycle and Modalities; the country portfolio evaluations of Costa Rica, the Philippines, and Samoa, and the four Africa country portfolio evaluations. Reports from subregional workshops and National Dialogue workshops from 2006 to 2008 were also reviewed. The bibliography to this report lists all the documents reviewed for this evaluation. Issues of design are covered in more detail in Technical Paper #2, "Design of the RAF," and Technical Paper #4, "Implementation of the RAF."

Delphi Approach

Three panels of independent international experts on global biodiversity, climate change, and performance provided an assessment of the GEF indexes via a Delphi study. The study was contracted, on a competitive basis, to the company World Perspectives, Inc. Using a Web-based interactive tool, Real Time Delphi, the expert panels anonymously provided both quantitative and qualitative review of the indexes. The participants in the Delphi study covered a broad range of expertise and geographical representation, and were vetted for independence to prevent conflicts of interest. The GEF STAP supported the Delphi study through the provision of advice and experts. The study report is available in Technical Paper #5, "Delphi Study of the RAF Benefits and Performance Indexes."

Portfolio Review

The midterm review team designed and compiled a number of databases to analyze the effect of the RAF on the GEF portfolio. The project database compiled by the recent Joint Evaluation of the GEF Activity Cycle and Modalities was used as a baseline for historical data. The data from the Project Management Information System had already been corroborated with the Agencies; these cover all recorded full- and medium-size projects and proposals processed by the GEF (1,926 in total), as well as enabling activities, across all GEF replenishment periods through the end of GEF-3. To capture data needed for the RAF review, the database was extended with the following.

- A **RAF project database** was established to include the portfolio of approved projects and PIFs since the start of GEF-4. All data were obtained directly from GEF Secretariat database downloads and were subsequently verified with the Agencies, countries, and Secretariat staff. The respective country profile Web site and RAF progress reports to the 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 July 3, 2008, the midpoint of GEF-4; any changes after that are provided in textual form. Details are available in Technical Paper #3, "RAF Allocations and Utilization," and Statistical Annex #2, "Portfolio Analysis and Historical Allocations."
- A **country analysis component** was created to analyze the effect of the RAF on various countries, using international country classification categories such as LDCs, SIDS, landlocked countries, income per capita, and fragile and post-conflict states. This classification is featured in Statistical Annex #4, "Country Classification and RAF Allocations."
- A separate Excel spreadsheet was established **comparing the baseline database to the present**—that is, to the pipeline at the end of GEF-3, the proposals made by countries in the teleconferences with the 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. Quantitative data were analyzed for all projects approved under GEF-4, according to relevant dimensions such as individual or group allocation, region, operational program, Agency, project budget, and modality. Other focal areas were included to identify any spill-over effects and for comparison.

Statistical Analysis and Data Modeling

The effectiveness of the indexes, their composition, and their interrelations were analyzed through data modeling of different combinations of index weights, exclusions, and content. Based on the original indicator data provided by the GEF Secretariat, the midterm review 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, and the implications for allocations when changing formula weights of performance or global environmental benefits or floors and ceilings. Details are available in Statistical Annex #1, "Simulations," and Statistical Annex #3, "Quintile Analysis."

Financial Analysis

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

Stakeholder Consultation

Stakeholder consultation for the midterm review was extensive. Semistructured and focus group interviews were undertaken with a large number of key informants including all GEF entities referred to in the *GEF 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 developed to be used with 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 were aggregated using ATLAS.ti software to enable identification of recurring and divergent opinions across interviewees from different countries.

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 Program enabled the Office to obtain direct feedback from **GEF focal points** on the RAF. The RAF midterm review was the main item of discussion during five subregional workshops in 2007–08 in Bali, Belgrade, Douala, Manila, and Windhoek. Both plenary sessions and group work elicited debate among countries on barriers and promoting factors. Individual interviews with focal points provided in-depth country information. This covered the full constituencies of Europe and the Commonwealth of Independent States, Asia, West and Central Africa, East and Southern Africa, and the Middle East and North Africa.

For **constituencies that were not covered by Country Support Program 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 the Bahamas, and bilateral meetings. In addition, the review team undertook a mission to Argentina, Chile, and Uruguay in May 2008 to consult with focal points, Agencies, and NGOs. The Pacific SIDS were consulted at the subregional meeting in September 2008, as well as through interviews conducted during the GEF Council meeting and consultations with the South Pacific Regional Environment Programme in Samoa. The New York–based focal points were also invited to provide feedback.

The Evaluation Office participated in the Conferences of the Parties (COPs) to the Convention on Biological Diversity (CBD) and the United Nations Framework Convention on Climate Change (UNFCCC) in Bonn and Bali, respectively, and arranged consultations and side events to obtain feedback. A survey was also circulated in Bonn. The secretariats to the two **conventions** were visited.

A separate study of the **SGP** was undertaken, based on the 2007 joint evaluation of the program. This study included a separate and tailored survey for SGP national coordinators, a discussion session at an Asia regional SGP workshop, consultations with the SGP Central Programme Management Team, and interviews with OFPs and national coordinators. A download of annual monitoring report data allowed the review team to discern the impact of the RAF on the SGP grant portfolio. Documentation was analyzed from the SGP and the GEF, including all SGP country strategies for the use of RAF funds. See Technical Paper #6, "Effects of the RAF on the Small Grants Programme."

During the **NGO** consultations prior to the GEF Council meetings in November 2007 and April 2008, the Evaluation Office 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, regional offices, and PBA experts, provided feedback on implementation, the GEF portfolio, and changes in responsibilities. Seven Agencies were visited—the World Bank, UNDP, UNEP, IDB, ADB, and the African Development Bank (AfDB); for the remaining three Agencies, GEF coordinators and staff were interviewed directly or through teleconferences and videoconferences.

Survey

An electronic survey of all major GEF stakeholders was conducted through www.surveymonkey.com during June–July 2008 and yielded experiences and perceptions 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, the private sector, GEF Council members, STAP members, state and local governments, the GEF Secretariat, the convention secretariats, and others (consultants and so on). Survey instruments were tailored to each group. Respondents were identified through a mix of Evaluation Office and Secretariat contact databases, contacts made during the Joint Evaluation of the GEF Activity Cycle and Modalities, and Agency and NGO Networks. See Technical Paper #7, "Stakeholder Survey."

Comparative Study

The midterm review included an external comparison of the design and implementation experience of the RAF with that of other PBA frameworks. Visits were undertaken to the World Bank Group, the Caribbean Development Bank (CDB), IDB, AfDB, and ADB, as well as consultations with IFAD. The exercise encompassed expert interviews and reviews of numerous documents from the multilateral development banks, the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD), the UN, the GEF and its Implementing and Executing Agencies, and other global funds. Several evaluations of these resource allocation frameworks had recently been conducted and provided useful lessons for the RAF midterm review. Input from the PBA Technical Working Group, a collaborative annual meeting on PBA experiences, was also informative. See Technical Paper #8, "Comparison of the GEF RAF with Other Performance-Based Allocation Systems."

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 GEF Secretariat, country recipients, the STAP, the convention secretariats, NGOs, and Agencies.

2.4 Scope and Limitations

Evaluations conducted at midterm primarily assess progress made in implementation and make recommendations to better achieve underlying objectives. The recommendations of this review should therefore enable the GEF Council to make informed decisions for improving RAF implementation in the second half of GEF-4 and in designing and developing a GEF-wide RAF by 2010.

Because RAF implementation is in its early stages, with the first work program under the RAF approved by the GEF Council only in June 2007, it is too soon to provide evidence regarding 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 and 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 of not being able to identify impact is usual for a midterm review or formative evaluation focused on system activities and processes that are under implementation.

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

Fewer experts participated in the Delphi study than initially anticipated. In declining to participate, potential panelists cited the complexity of the RAF system and their lack of knowledge. 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—again due to the complexity of the subject—not all respondents in different stakeholder groups were able to reply to each question. Consequently, results are here generally presented in terms of aggregate responses rather than by stakeholder 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. However, it is too early to make a firm pronouncement on this aspect.

2.5 Follow-Up

Several substantive and evaluative tasks and initiatives derive from or are related to the midterm review of the RAF.

The Council decided that the RAF will undergo a second independent review at the same time as, or as part of, 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. As of this writing, OPS4 is in an early stage of its implementation; a draft report will be presented to the Council at the end of 2009.

The policy recommendations for GEF-4 note that the GEF Secretariat and the GEF Evaluation Office should, on a pilot basis, monitor and report on trends in countries' GEF benefits indexes under the RAF drawing on country portfolio evaluations and other relevant evaluations that will take place in the coming years (GEF 2006i, annex A).

The recommendations also state that

> Taking into account (i) the findings of the midterm review, (ii) the progress of developing indicators for the other focal areas, and (iii) subsequent decisions by the Council, the Secretariat will implement a GEF-wide RAF by 2010, if feasible (GEF 2006i, annex A).

Based on the experience with the two focal areas during the first GEF-4 period, the midterm review provides lessons that may help the GEF partnership in moving forward on the possible expansion of the RAF.

Notes

1. The full Council decision is contained in GEF (2005m), annex I.
2. The terms of reference are available on the GEF Evaluation Office Web site at www.thegef.org/gefevaluation.aspx?id=18468; also see Technical Paper #1, "Methodology and Context," annex A.
3. www.thegef.org/gefevaluation.aspx?id=22712.

3. Context of the RAF

This chapter looks to place the development of the RAF, and its review, in the context of broader trends and reforms related to results, other resource allocation frameworks, and changes within and outside the GEF. It describes the objectives of the RAF, its origin and evolution, and key factors that have influenced its design and implementation.

3.1 Origins and Objectives

Inception

At each replenishment of 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 General Assembly of all GEF participating countries every four years. Subsequently, the GEF Council adopts these recommendations and provides direction to the GEF Secretariat and GEF Agencies, which operationalize the decisions. The concept of a PBA system for the GEF stems from the GEF-3 negotiations.

The GEF RAF was adopted by the GEF Council at a special meeting in Cape Town in September 2006, as part of its endorsement of the policy recommendations of the third replenishment. 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 (GEF 2005c).

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 adopted by the GEF's 32 donors, 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 (GEF 2002f).

These objectives are in line with those of PBA systems in other development organizations. The intent is to move away from opaque systems of allocating funds that were heavily influenced by precedent and myriad other considerations toward 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 subobjectives: (1) to place funds where they are likely to be effective and (2) to give all member countries an incentive to improve.

Premises and Expectations

The approval of the RAF was the culmination of a laborious process of design and debate spanning more than four years. During this process, stakeholders and the GEF governing structures established several premises to underlie the RAF:

- **Consistency.** 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 from the October 2002 meeting, and the Beijing Assembly Declaration.
- **Principles.** "Simplicity, transparency, pragmatism, cost-effectiveness, comprehensiveness, country-drivenness, and equal opportunity for all recipient countries to have access to GEF resources" were to be taken into account in developing options for the framework (GEF 2003c, 2004d). Further, the framework should serve as "a transparent, equitable and inclusive system for the allocation of resources within the GEF" (GEF 2005m).
- **Uniqueness.** The 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" (GEF 2003c).
- **Good governance.** "[S]uccess in meeting the objectives of the GEF is based on good governance related to environmental sustainability within each country and at the international level" (GEF 2005m).

The RAF was expected to yield additional advantages as well, including the following:

- Increase the impact of GEF resources on the global environment through better targeting
- Provide countries with increased predictability in the financing available from the GEF
- Provide a framework for countries to program 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 and Coverage

Neither the GEF-3 policy recommendations nor the Second Assembly placed a time limit on the duration of a PBA system. The GEF Council agreed to implement the RAF for the GEF-4 replenishment, and asked for a midterm review and a second independent review in conjunction with OPS4. While this seems to imply a specific period for the RAF, other decisions refer to expansion of the system.

The GEF-3 replenishment policy recommendations and the Second Assembly also did not initially specify coverage of the RAF. During development of the RAF design, it became clear that it was difficult to identify satisfactory indexes for all focal areas. Consequently, the Council agreed to implement the RAF in GEF-4 for the biodiversity and climate change focal areas only, tasking the Secretariat with developing a GEF-wide RAF by 2010, if feasible (GEF 2006i, annex A).

Concerns

Several concerns were raised during the RAF development and approval process involving risks or potential disadvantages that might jeopardize achievement of its underlying purpose. These concerns can be generally categorized as follows:[1]

- **Vulnerability.** Stakeholders were concerned about the impact and potential negative consequences of the RAF on smaller, vulnerable countries; SIDS; regional programs; and countries with poor capacity as these would be competing for limited resources under the RAF.

- **Transparency.** Council members cited "the lack of importance given to marine resources in the biodiversity indicator, and the lack of transparency over the criteria used," and asked that "work be done to more comprehensively take into account countries' vulnerabilities, national priorities and natural resources, both marine and terrestrial." They also noted that the "lack of public disclosure in [the] RAF means that the GEF will no longer be fully transparent." The conventions also expressed concern over the lack of transparency.
- **Efficiency.** Several Council members voiced their concern that the RAF would "result in complication of GEF operations, aside from [a] permanent increase in transaction costs" and pointed out that the RAF "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."
- **Selectivity.** The RAF was deemed "exclusionary," in that "it lacks incentives for those considered to be low performers" and "does not reflect the necessity of universal participation."
- **Funding.** Many of the participants at the third replenishment meeting "expressed concern over individual donors placing unilateral conditions on their contributions."
- **Benefits.** Council members found "the promised benefits of [the] RAF to be elusive" and noted their concern "that this jeopardizes the quality of GEF projects due to very low thresholds for a number of countries." They also mentioned that they were "still unclear as to the real impact that the implementation of this proposed RAF will have on our countries."
- **Results.** Donors, recipient countries, and other GEF entities generally agreed that improved results-based management (RBM) was desirable for the GEF. 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."
- **Convention commitments.** UNFCCC and CBD representatives expressed concern regarding how the RAF would affect funding available to developing countries, especially LDCs and SIDS, for implementation of their commitments under the conventions, raising the possibility that the RAF would "undermine the ability of developing countries" to meet their commitments.

3.2 Organizational and Institutional Context

The development and implementation of the RAF have taken place over a period marked by many other changes and reforms, within sustainable development assistance as a whole and within the individual GEF entities themselves. These changes have influenced the RAF's design and implementation; or, in conjunction with the RAF, have in turn affected the GEF partnership. The trends summarized below provide a rationale, explanations for decisions, and attribution of changes to the RAF.

External Context and Trends

Performance-Based Allocation Systems

The GEF RAF reflects a growing emphasis on PBA systems for international financial institutions. The World Bank has operated a PBA system for its IDA concessional funds since 1977, while AfDB started its PBA in 1999. The other multilateral development banks launched PBA systems in 2000 (CDB), 2001 (ADB), 2002 (IDB), and 2005 (IFAD), concurrent with the development of the RAF for the GEF. There is a technical working group focusing on PBA systems, of which many

GEF Agencies and the GEF Secretariat are members; the group meets annually and will enable the GEF to draw lessons from the experience of other organizations.

Results-Based Management

The emphasis on PBA is linked to effective 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 one 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 regular planning and reporting on results, as found by a study by the GEF Evaluation Office.[2] The Joint Evaluation of the GEF Activity Cycle and Modalities found that "While the GEF has started taking note of the work done by the OECD DAC [Development Assistance Committee] Joint Venture on Managing for Development Results, overall, it has not been sufficiently involved in the RBM work of partner Agencies" (GEF EO 2007d). 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 has also promoted RBM for some time,[3] mainly focusing on internal organizational issues, and UN entities have implemented various ways to provide funding to countries based on needs and performance. For example, UNDP has had a type of incentive-based allocation system in place since 1997. At the beginning of each programming cycle, TRAC-1 (target for resource assignments from the core) resources are allocated based on the latest gross national income (GNI) per capita and population data. Fifty percent of programmable resources (TRAC-2) are kept for incentive and performance-based allocations. The TRAC-2 resource facility allows for flexibility in allocating resources to high-impact, high-leverage activities and to reward program quality.

Simplification and Harmonization

The development community and the environmental convention COPs are increasingly emphasizing simplification and harmonization of development efforts. Under the 2005 Paris Declaration, over 100 ministers, heads of agencies, and other senior officials worldwide committed their countries and organizations to continue to increase efforts in harmonization, alignment, and managing aid for results with a set of actions and indicators that can be monitored. The GEF and its RAF are not wholly congruent with international simplification/harmonization goals and trends. On the one hand, the RAF may be seen as a means of harmonizing with other PBA systems of international financial institutions. On the other hand, the GEF has lagged behind other entities in the simplification, innovation, and harmonization of operational modalities through which allocations are used. The GEF does not apply new delivery modalities that stress increased national ownership such as budget support. Though improvements have been made, there is consensus among stakeholders that the GEF still has much to do 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, UN reforms and the move toward the "UN-as-one."[4] A PBA is not currently part of this reform, but indicative grants viewed more or less as entitlements 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 to cooperate with similar funds through its participation in the Global Programs Learning Group.[5] The group's recent paper, prepared for the High Level Forum on Aid Effectiveness in Accra in September 2008, notes 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" (Learning Group of Global Programs on Aid Effectiveness n.d.).

Increased Competition for Funding

The RAF was introduced at a time of increasing competition for funding amid a growing 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 noted the importance of addressing systemic issues, of enhancing the coherence and consistency of the international monetary, financial, and trading systems in support of development. Meanwhile, the collapse of World Trade Organization 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" (Castle and Bradsher 2008).

Most official development assistance (ODA) has been centered around the United Nations Millennium Declaration (2000) and its eight Millennium Development Goals to be achieved by 2015 or 2020, marking 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 Millennium Development Goal 7: To promote environmental sustainability, with targets to integrate the principles of sustainable development into country policies and programs, and reduce biodiversity loss by 2010. The GEF does not have a mandate on poverty; in fact, during the discussions on RAF design, it was suggested that in taking into account

> …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 (GEF 2004c).

The OECD recently surveyed aid allocation policies in an effort to determine the predictability of delivering on global commitments. It found that country programmable aid was $60 billion in 2005, the baseline year. Some $47 billion of this was from bilateral donors, equal to 46 percent of their gross bilateral ODA. The survey results show that so far country programmable aid "is programmed to increase by 2010 by nearly $12 billion over 2005…Recent record replenishments of IDA and the African and Asian Development Banks will add around a further $4 billion of ODA to this figure in 2010…" (OECD DCD-DAC 2008c).

The emphasis on funding needs has spread to environment areas and conventions. At the Ninth Meeting of the CBD COP in May 2008, 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" (Namibia 2008). The COP 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" (UNCBD 2008a, Decision IX/14). Meanwhile, the GEF Secretariat has been working to support the convention secretariat on a resource mobilization strategy (UNCBD 2008c).

The changing context is especially notable in the area of 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" (Reisen 2008).

On July 2, 2008, the World Bank Board gave formal approval to create Climate Investment Funds designed to scale up funding to help developing countries in their efforts to address climate change. Total funding for the Climate Investment Funds is expected to be between \$5 billion and \$10 billion.[6] The ADB also recently established a large climate change fund with an initial contribution of \$40 million. Based on COP resolutions, the emphasis on adaptation to climate change is finally receiving due attention, and funds are being established for this purpose.[7] 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 for funds, the GEF is challenged to become more effective in providing a sufficient levels of funds in an efficient manner.

The GEF is a financial mechanism for several environmental conventions and was established as a facility (GEF 1994). 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 the environment. The development of the RAF mirrored these differing perspectives, as does the RAF itself.

The GEF is not a development bank. While the *GEF Instrument* does not prohibit loans, the GEF provides grant financing only. The operational guidelines on nongrant instruments established that "In the GEF context, all eligible countries are entitled to receive grants" (GEF 2008j). The recent GEF policy (April 2008) on nongrant instruments envisages that the use of such instruments directly or indirectly will be "primarily linked to investment projects" and that reflows should be reprogrammed 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 operates more like a UN organization than an international financial institution. Comparable global programs to the GEF do not operate through allocation systems like the RAF.

Internal Issues and Other GEF Reforms

GEF Context

Development of the RAF coincided with the start of a new replenishment period (GEF-4) and the installation of a new GEF CEO. Policy changes and reforms related to these events have affected the RAF's implementation. The CEO presented to the Council at the December 2006 meeting a 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 RAF implementation include the following.

- **Revised focal area strategies.** 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. Both in biodiversity and climate change, the strategic long-term objectives have moved up to a higher level: for example, from attention to protected areas to protected area systems and to market transformation in the climate change area. In climate change, there has been a move toward energy efficiency (in industry and buildings) and on-grid renewable energy. Some areas are no longer key priorities, while other priorities are new. The four focal areas outside the RAF scope—some of which are relatively new—have also gained momentum in terms of demand for resources.

- **New 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 UNFCCC COP. Once operational, the new fund may benefit from the experience of the GEF Strategic Pilot on Adaptation (launched in GEF-3 and carried over to the RAF) to support pilot and demonstration projects for adaptation to climate change. The GEF also operates the Special Climate Change Fund and the LDC Fund, which remain outside the RAF. A new public-private partnership fund (the GEF Earth Fund) was approved in December 2007, with IFC as the lead agency. The GEF was also asked to elaborate a strategic program to scale up investments in environmentally friendly technologies in mitigation and adaptation (UNCBD 2008a, Decision IX/14).
- **New project cycle.** The GEF project cycle has historically been a major bottleneck for access to GEF funds. Based on the findings of the Joint Evaluation of the GEF Activity Cycle and Modalities, the Council approved a new cycle in June 2007. This was first applied to the third work program under GEF-4 in November 2007. It involves approval of a 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. The new project cycle took time to put in place, and changes were introduced over time to templates and procedures for both MSPs and FSPs.
- **Programmatic approaches.** At its April 2008 meeting, the Council approved the use of programmatic approaches, which had already gained momentum under GEF-3. Under the new policy, such programs are implemented through a number of projects, either in the same focal area, in different focal areas, or in multifocal projects. Agencies must first submit a PIF—called a program framework document—for the program and attach associated individual project PIFs concurrently or within a year.
- **Communications and outreach strategy.** A new strategy was approved by the Council in November 2007, which has led to a revised GEF Secretariat Web site, more attention to media and publicity, and active outreach to key stakeholders such as the convention secretariats. A barrier identified in several evaluations is the lack of transparency and information in the GEF, especially with regard to project management tracking of progress and status (GEF M&E Unit 2004; GEF EO 2006a, 2006b, 2007b, 2007d). In November 2005, the Council approved $700,000 in funding for the development of a new management information system, which was expected to be launched in October 2008.
- **Country portal.** In January 2008, the GEF Secretariat introduced a country portal providing information on portfolio status. At first, information on pipeline status—the most rel-

evant 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 report systematically on the 10-day response time for review or on the 22-month cycle. The lack of clear guidance was to be addressed by an Operations Manual, which was released in April 2008. The manual was supposed to be uploaded to the GEF Web site, but as of this writing, focal points must request a CD-ROM to be sent to them.

- **Restructured Secretariat.** To meet the new challenges of GEF-4, the GEF Secretariat has been restructured and has experienced 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). About half of the staff has left and been replaced; a conflict resolution commissioner has been appointed, and regional focal points created in some teams. The Secretariat has taken on additional tasks related to RAF implementation as well as portfolio monitoring under the 2006 GEF Monitoring and Evaluation Policy and the new RBM framework approved by the Council in June 2007.[8] The STAP and the NGO Network have also reviewed their strategies and approaches.

GEF Partners

The GEF partners have been subject to considerable change under GEF-4. Following the 2006 Evaluation of the Experience of Executing Agencies under Expanded Opportunities in the GEF, these Agencies were put on an equal footing with the three GEF Implementing Agencies and granted direct access to GEF funding based on their comparative advantages (GEF 2006g). These advantages were clarified to the Council in June 2007.

In addition to providing support on the RAF, the Agencies have met a variety of demands for support or information from the GEF, including providing increased support to corporate programs such as the SGP (by participating on the SGP Steering Committee), complying with the fiduciary standards approved by the Council in June 2007 (and on which the Agencies reported in April 2008), renegotiating financial procedures agreements with the GEF Trustee, reporting on efforts to mainstream global environmental challenges into core development work, and strengthening monitoring and evaluation systems. The Agencies must comply with new procedures on termination and cancellation of projects (December 2006), use of nongrant instruments (April 2008), templates and procedures for programmatic approaches through a program framework document (these are not covered by management fees); they were also recently asked to submit lessons learned forms from evaluations (August 2008).

In the interim, the corporate budget for Implementing Agencies was eliminated as of fiscal year 2008, as per the Council decision in December 2006, together with an increase in project cycle management fees to 10 percent applicable to all 10 GEF Agencies. In April 2008, the Council asked 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 staff. Budgeting for projects has become more exacting, requiring new information on financial issues in the PIFs and with limitations on eligible budget items.

In the wake of the simplification of the project cycle, there has been a proliferation of related forms and documentation. In July 2008, the GEF Secretariat developed 100 or so internal formats and templates for project management that Secretariat staff, the GEF Agencies, and the GEF focal points must fill out at various points in the project cycle. In short, all Agencies are expected to do more, and 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 Evolution

The evolution of the RAF can be divided into three periods: (1) development until approval, (2) planning for implementation, and (3) implementation to midpoint reallocation. See Technical Paper #1, "Methodology and Context," section 2.3, for a detailed timeline.

Phase 1: Development until Approval, 2002–August 2005

The origin of the RAF stems from the third replenishment in 2002. It was introduced by the representative of the United States in the sixth and last negotiation meeting before the replenishment policy decisions were approved in August 2002. Replenishment participants asked that the GEF Secretariat prepare a proposal of an allocation system for which implementation should be initiated immediately after a Council decision in May 2003. Furthermore, $70 million in additional financing of the record replenishment of $3 billion was made conditional upon approval of a PBA.

Initial Proposals

The May 2003 proposal was not able to develop a full-fledged PBA. It requested clarification from the Council on the framework's overall objective and tried to interpret performance in the GEF context. It proposed two options: an a priori allocation to countries and a screening approach to projects. The first option was later 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, with 10 members nominated by Council constituencies as well as two PBA experts, started work in July 2003. The group's report, presented at the November 2003 Council meeting, proposed a two-component system of performance and needs; it defined "needs," for the first time, as the potential to deliver global environmental benefits. It also posited that a GEF-wide results framework would be difficult to develop, and recommended an immediate focus on the biodiversity and climate change focal areas. These two suggestions were milestones.

Nonetheless, the working group's proposal of a phased development approach for a PBA was not adopted, nor was there agreement on the options presented. The United States sent Council members a letter in advance of the November 2003 meeting, commenting on the draft and warning that "…efforts are in substantial danger of becoming off-track" and "only Option 1 satisfies the requirements of the GEF-3 agreement" (Schuerch 2003). The letter reiterated the rationale for a PBA system:

> 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 meeting, the Council continued to request a GEF-wide system, based on global environmental priorities and country-level performance relevant to those priorities. Several key principles were established, together with a more realistic time frame which aimed for a conclusion in November 2004. The working group was disbanded, and the GEF Secretariat continued development of the framework.

Introduction of Indexes and Group Allocations

At the May 2004 Council meeting, the Secretariat presented a comprehensive proposal with options on indicators, weights, and formulas for biodiversity and climate change. It had called on the World Bank's Development Economics research group, which, alongside a number of international environmental NGOs, had worked assiduously on the effort, especially in biodiversity.

The Secretariat's report proposed using performance indexes from Daniel Kaufmann, Aart Kraay, and Pablo Zoido-Lobatón of the World Bank Institute which cover six aggregate indicators for 199 countries. This recommendation was based on its argument that the World Bank's country policy and institutional assessment (CPIA) indicators, although broader, are not fully disclosed; that the GEF would not have sufficient resources to develop its own data set; and that other sectoral indicators were not readily available. Although the Council rejected the Kaufmann, Kraay, and Zoido-Lobatón indexes, most of the Secretariat's proposed elements were accepted; these are present, in an amended form, in the final version of the framework. Also, even though the Council 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 of these indicators were later included later (GEF 2004d).

The Secretariat report discussed two models: ex ante allocation to countries, and a variation of this model in which five country groups (quintiles) 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 had been mentioned. The range of maximum and minimum amounts meant that the top-ranked country in the second quintile could hypothetically receive more than the lowest in the first quintile; this was not approved by key replenishment participants. Ultimately, both options—individual and group allocations—would be selected.

Further Refinements and Phased Approach

The complex subject seemed to call for another discussion format beyond Council meetings. A seminar was convened in Paris in September 2004, aimed at debating a more elaborated document on three models:

- an individual country allocation model;
- a country and group allocation model, with a cap at $10 million for the individual countries and two separate group allocations;
- a rules-based model, with due diligence measures to deal with performance issues.

The second option was a compromise suggested by one donor (Canada) to satisfy the single member favoring the first option and others favoring the group approach. The third option was quickly ruled out. While one constituency favored the country allocation model, and several others were supportive of the country and group allocation model, still others asked the Secretariat to develop a model that would not allocate resources to countries in an ex ante manner.[9] One step forward was the confirmation that, legally, nothing in the *GEF Instrument* or the guidance of the global conventions prohibits or requires a performance-based framework. Another advance in the process was information provided by the GEF Secretariat on historical allocation shares to countries; to global, regional, and capacity-building projects; and to the SGP: "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" (GEF 2004a). However, this information caused the Bolivian representative to ask "If new models reflect historical allocations, why develop a new RAF based on different criteria?"

Based on the seminar discussions, the Secretariat proposed a phased approach at the November

2004 Council consisting of an initial screening phase, a country/group allocation phase, and an exclusively country-based allocation phase (GEF 2004c, 2004e). This suggestion was not adopted, and the negotiations reached an impasse. For the first time in GEF history, the Council considered voting on an issue rather than reaching a consensus decision, and guidance on voting procedures had to be requested.

Compromises and Trade-offs

The written Council member comments received before the meeting had revealed divergent viewpoints.[10] Most provided suggestions, but no preference for particular options; several preferred the second option; and one representative preferred the first. At this point, the negotiations had split into three groups: the United States and Canada, Europe and Japan, and the Group of 77 (developing countries). Three motions were tabled at the Council meeting with different views on process, conditions, and decision authority. While 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 the 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. Up to this point, 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 working group.

At the second Paris consultations in March 2005, negotiations homed in on outstanding issues; specifically, 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 countries.

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, thresholds, public disclosure, and assessment of biodiversity and climate change benefits.[11] The concept of energy intensity had been added to GHG emissions in the climate change index in response to concerns from several stakeholders, including the UNFCCC Secretariat. The note on thresholds referenced a proposal made in the second option that 75 percent of resources go to individual countries, and additionally presented a simulation of shares of 48/52 percent and 62/38 percent for individual versus group country allocations (in biodiversity and climate change, respectively) with a cutoff (threshold) of $10 million. In the final approval, the thresholds would be dropped, and the 75 percent share would be selected.

No RAF decision was made at the June 2005 meeting, and the three pending motions were suspended given the unlikelihood of a double majority on any of these issues. Information was provided on one of the remaining contentious issues, namely disclosure of the CPIA, which had become publicly available in the interim, albeit for countries eligible for IDA funding only and not for borrowers from the International Bank for Reconstruction and Development (IBRD). Two constituencies expressed serious concerns in written statements on the RAF.[12] The CEO stressed the need to reach final agreement at an extraordinary Council meeting in August 2005 if the replenishment meetings for GEF-4 were to go forward.

Accordingly, the Council approved the RAF in a special meeting from August 31 to September 1, 2005. The approved RAF document[13] 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 to participate in the negotiations accordingly.

Political compromises and trade-offs were apparent in the final RAF document. The proposed marine/terrestrial weighted score changed from 30/70 percent to 20/80 percent, thresholds were dropped and replaced with a 75/25 percent cut-off line between individual and group allocation countries, the weight of the portfolio performance indicator (PPI) decreased from 20 to 10 percent, and the weight of the CEPIA increased from 60 to 70 percent. One element, the 50 percent rule of resource use, was introduced in the document without prior analysis or discussion.

Discussion on country ceilings had not been raised since November 2004, when the GEF Secretariat noted that "country ceilings of approximately 7% [of the total focal area allocation given to a country historically] in biodiversity and 20% in climate change will start to impact indicative country allocations" (GEF 2004a). Subsequently, the ceilings were fixed at 10 and 15 percent, 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 percent for the SGP and capacity building, and 12 percent for global and regional projects in each focal area. This was ultimately reduced to 5 percent each for SGP–capacity building and global-regional projects.

Ultimately, the RAF is the result of a political process. Its indicators and indexes are based on scientific work, but development of the other design parameters was based in 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, and considerable work lay ahead to operationalize the decision.

Phase 2: Planning for Implementation, August 2005–Summer 2006

The first discussions on actual RAF implementation began in October 2005, with the initial meeting of the Inter-Agency RAF Task Force. This was the first time the GEF Agencies were invited officially to consult on the framework.

Work of the RAF Task Force

Two challenges presented themselves: (1) operational policies and procedures, and (2) disclosure of RAF data and allocations. On the latter issue, the GEF Secretariat requested agreement from the November 2005 Council meeting on some early disclosure of tentative allocations so Agencies and countries could prepare for the transition to the RAF. Specific allocations were not yet determined, as the fourth replenishment negotiations were still in progress. However, for the first time, the Council presented tables that illustrated eligible countries in bands (ranges) 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 this draft categorization.

The RAF Task Force 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 the RAF, definition of global and regional projects and the lack of incentives to engage in such projects, and the need for criteria to determine eligibility for funding. The GEF focal area task forces also helped develop criteria to determine eligibility of concepts. Nevertheless, the discussions were hampered by a lack of clarity on the possible effects of the RAF. Hoping to help with interim disclosure and planning of country allocations, the task force's main output was a set of guidelines to the GEF focal points in April 2006, after which it was disbanded.

Rollout

The year of the RAF's launch and implementation, 2006, was marked by a flurry of letters, consultations, changes, and decisions. Some decisions taken to manage the transition in this period were later overturned. In retrospect, some termed it "the lost year," in that stakeholders lost the opportunity to secure a strong transition to GEF-4 and the start of the RAF.

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

The main vehicle for support to the recipient governments on the RAF was a series of seven subregional workshops for focal points held between the end of April to August 2006 (three of these were held after the RAF's official July 1 launch). At the workshops, the focal points expressed numerous concerns and questions, as well as frustration at being presented with a fait accompli, without prior consultation. Most concerns were common across regions and mirror the implementation issues (see Technical Paper #4, "Implementation of the RAF").

The global conventions had not been officially involved with the RAF during its development. But once it had been approved, they were formally briefed, with presentations made at the UNFCCC COP11 in November 2005 and the CBD COP in March 2006. Meanwhile, the GEF legal counsel and an independent study (Wiser 2006) provided a generally positive assessment of the conformity of the RAF with the *GEF Instrument* and guidance.

The first progress report on RAF implementation was presented at the June 2006 Council meeting. The Council asked the GEF 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 presented with the largest work program in GEF history, with 76 proposals amounting to $565 million for unused resources under GEF-3.

Phase 3: Implementation to Midpoint Reallocation, July 1, 2006–July 1, 2008

GEF-4 and RAF implementation officially began July 1, 2006, but in reality key parameters were not in place, as the third replenishment was only concluded at a special Council meeting at the end of August 2006, in conjunction with the third GEF Assembly in South Africa. The Assembly endorsed the replenishment policy recommendations but raised several concerns about the RAF's impact.

In mid-September, the initial indicative allocations under the RAF were finalized and disclosed. The GEF Secretariat concurrently informed the Agencies that all concepts in the pipeline would have to be reviewed and "repipelined" in the context of the programming strategies.[14]

Pipeline Projects and Discussions

By the September 15, 2006, deadline for national priorities by OFPs, 55 countries had provided a prioritized list of projects for funding in GEF-4; these were not necessarily the same projects as were in the official pipeline. In August 2006, the new GEF CEO informed the focal points that the September deadline for endorsement of project concepts would apply only for proposals that might be considered for inclusion in a possible December 2006 work program (GEF CEO 2006d). Many OFPs 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 (GEF CEO 2006e) to focal points noted that "it is not clear how the proposals reflect national priorities, GEF strategies, and global environmental commitments," as well as Agency comparative advantages, and that the GEF Secretariat would contact all countries for verification. Over the next six months, the GEF Secretariat therefore conducted teleconferences with 127 recipient countries, representing the first time the Secretariat had entered directly into pipeline discussions with countries. The Agencies were not part of the consultations, but were supposed to receive copies of the Secretariat letters summarizing the conclusions. These letters indicate Secretariat agreement/disagreement with the country proposals, suggestions to merge or reformulate, or no decision. The teleconferences ultimately had a great effect on the pipeline.

New Activity Cycle and New Rules and Criteria

Another set of influential developments was the preparatory consultation on the evaluation of the GEF activity cycle and the evaluation of the experience of the Executing Agencies, both of which were presented to the November 2006 Council. 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" (GEF 2006d).

At the December 2006 Council meeting, no work program was approved, as the GEF Trustee had not yet received sufficient contributions to make the fourth replenishment effective. The Council approved new rules and criteria for project selection and cancellation, which were put into immediate effect, and, on the basis of which, the CEO rejected 115 proposals from the 2007 pipeline. These rejections and a list of the projects retained were documented in a letter from the CEO to the Agencies, which noted that "no agency should undertake formal discussion on a project proposal for GEF financing prior to approval of a PIF by the GEF" (GEF CEO 2006a). In the fifth letter to the focal points, the CEO provided detailed information on the project concepts that were omitted from the GEF pipeline, but stated that the "GEF is not permanently closed for those project concepts that have not been included" (GEF CEO 2006f).

Guidelines on the SGP were issued in December 2006 from the CEO to focal points in new countries covering 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 fully effective, and the extended GEF-3 phase came to an end. The first full work program under the RAF was presented at the June 2007 Council meeting. By the next month, nine countries had managed to fully use the first half of their allocations.[15]

Summary

The complex and protracted RAF development and transition process had a number of unintended effects, some of which have affected implementation. Primarily, the process had a negative fallout in terms of reduced trust and dissatisfaction among stakeholders. Participation and involvement in RAF design was uneven. The process did not fully include standard GEF partners: none of the GEF Agencies were actively involved before the approval of the RAF, either regarding its design or its implementation; the focal points, the STAP, and the convention parties were similarly excluded. 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 made the process even more complex, with little impact on the final outcome. Nonetheless, the lack of such consults did 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 RAF was approved, a number of issues had to be resolved before implementation could begin; these issues and their resolution are described in this section.

Replenishment

The timing, size, and level of replenishment are important for the predictability of RAF funds. The GEF-4 replenishment was completed by the end of August 2006. On October 19, 2006, the World Bank executive directors adopted the GEF-4 resolution, thereby authorizing the GEF Trustee to manage the resources made available under GEF-4. The advance contribution scheme under GEF-4 became effective November 30, 2006.[16]

GEF-4, with the largest replenishment in GEF history of $3.13 billion, became effective on February 8, 2007, when the Trustee received instruments of commitment or qualified instruments of commitment from donors amounting to at least SDR 929 million (typically 60 percent of total contributions).[17] Replenishment participants decide on the share of resources among focal areas. In GEF-4, biodiversity and climate change received $1 billion, corresponding to 33 percent of the total of all focal area funds, as has been historical practice.

The payment schedule for replenishment contributions contained four equal installments of about $783 million each, payable at the end of November 2006, 2007, 2008, and 2009. By this schedule, the GEF should have received 50 percent 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 million), and another three had not submitted instruments of commitment.[18] Seven donors had exercised their right to an extension of payment for the second quarter (until June 30, 2008, the exact midpoint of GEF-4), amounting to $103.5 million.

The replenishment amounts have increased in nominal terms since the GEF pilot phase, from $2 billion in GEF-1, $1.2759 billion (GEF-2), and $3 billion in GEF-3 to $3.13 billion in the current phase. These amounts do not reflect depreciation, inflation, exchange rate differences, or other changes in value over time; nor do the amounts provided to countries (in U.S. dollar terms) take account of purchasing power parity, whereby exchange rates equalize 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 U.S. dollar compared to other currencies. Estimates indicate that the GEF-4 figure of $3.13 billion may amount to less than $2 billion in 1994 dollars.

In summary, the timing and size of the replenishment influenced 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 but not extensive liquidity for approvals, as considerable amounts are tied up in commitments for projects and concepts. With 20 donors having paid their full amounts, the net funds available for approval in April 2008 amounted to $666.1 million equivalent (with $3.05 billion set aside for projects already approved by the CEO or GEF Council but not yet disbursed). Thus, the flow of funds is not linked to the 50 percent limitation in access per country until the midpoint of GEF-4.

Eligibility

According to the *GEF Instrument*, countries are eligible for GEF funding in a focal area if (1) they meet eligibility criteria established by the relevant COP for the focal area, or (2) they are members of the conventions and are countries eligible to borrow from the World Bank or eligible for technical assistance from UNDP.

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 a 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.

Generating a List of Eligible Countries

Establishing eligibility up front was not an easy process for the GEF Secretariat, as "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" (GEF 2007j). For instance, while the CBD considers developing country parties eligible for GEF funding, it does not provide a list of developing countries. Under the UNFCCC guidelines, non-Annex I parties to the convention are eligible for funding regardless of their income level. 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 at the end of November 2005, the first item on the agenda was confirmation of the eligibility list by the UNFCCC, the CBD, and the World Bank/UNDP, since indicative allocations could not be finalized without this information.[19]

The Council is authorized to determine additional eligibility criteria as per the *GEF Instrument*. In November 2004, the GEF Secretariat asked the Council to clarify the appropriate treatment of countries that were in line for European Union accession. Subsequently, Estonia, Hungary, Latvia, and Lithuania became members of the European Union and graduated from World Bank and UNDP assistance;[20] their GEF allocations reverted to the Trust Fund and were redistributed at the midterm reallocation. This was also the case for Poland, which although eligible, voluntarily declined its allocation ($38.1 million for climate change) so less developed countries could benefit from the GEF resources.

Because the convention criteria are broader, the criteria relating to World Bank or UNDP support do not play a large role in determining the country list. For example, Turkey and Ukraine—two indicative allocation countries—are eligible as parties and recipients of World Bank and UNDP assistance, but are not non-Annex I signatories. The World Bank does not have operations in 25 GEF-eligible countries.[21] UNDP provides assistance to most of the countries, except for the East European countries that have graduated from both UNDP and World Bank support.[22] UNDP also provides support to so-called net contributor countries; these are countries with relatively high income that benefit from UNDP support while providing more in donor contributions to UNDP. This was an issue that required clarification in the development process.

Coverage of New Countries

Some eligible countries had never requested GEF funds previously. These new entrants to the GEF system are typically found in the climate change focal area, where the convention provides for GEF funding to all non-Annex I signatories. The new entrants consist of either high-income countries or low-income countries, such as small crisis or post-conflict countries. In the climate change focal area, 18 eligible countries have not had any allocation in the past; in biodiversity, four eligible countries have not benefited from past GEF assistance. Four countries are not party to the conventions and are therefore not eligible.[23]

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 provided as well to 27 countries that are not traditional recipients of ODA as defined by the OECD and to 27 countries that do not benefit from either IBRD loans or concessional funding from 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 they would access a RAF allocation.

The RAF design mitigates some potentially skewed effects of its broad eligibility criteria. The RAF document 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" (GEF 2005t). Given that many countries that need resources receive small allocations, it would be politically difficult to give large allocations to countries that are not even part of the GEF.

The *GEF Instrument* specifies 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."[24] There are currently 10 eligible countries that are not GEF participants: Angola and Oman (biodiversity) and Angola, Bahrain, Cyprus, Kuwait, Oman, Qatar, San Marino, Saudi Arabia, Singapore, and the United Arab Emirates (climate change). Of these, Angola (biodiversity) is most affected; with a high GBI and past allocation, the country would have had an indicative allocation of $6.53 million had the government signed and deposited the Instrument annex with the Secretariat.

Issues

The broad eligibility criteria add complexity to the RAF system and are not helpful in ensuring that GEF funds are provided in a focused manner.

Issues related to the current eligibility structure include the following:

- **Small allocations.** Support and guidance from the COPs 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 European Commission (144).[25] The international financial institutions with a regional focus each work with fewer than 50 partners. The large number of recipients, coupled with limited resources, spreads GEF resources relatively thin.

  IFAD is the Agency closest to the GEF in terms of its coverage of countries, including a large number of small countries that traditionally accessed funds only infrequently. IFAD also resembles the GEF in being a special-purpose entity with a focused mandate rather than a general development agency. IFAD has coped with this challenge by making quick iterative reallocations to countries with effective demand. (See section 4.3, under "Tools for Ensuring Flexibility," for a discussion of effective demand.)

- **Unused funds.** To the extent that countries new to the GEF will not make use of their potential allocations, this ties up funds that could have been made available to other recipients for global environmental benefits. Questions arise as to 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 are thus not assigned any specific amount. However, it would be easier to manage the group allocation with clearer information on how many and which of the 115 and 93 countries, respectively, would realistically want to access biodiversity and climate change funds.

- **Managerial and information issues.** The Secretariat, with information from the World Bank and UNDP, manages and discloses the eligibility list. However, apart from the RAF documents posted on the GEF Web site, eligibility is not explicitly announced to recipients. It is not clear that capacity exists to ensure individual notification to countries of eligibility, changes in eligibility, or reasons therefore.

- **Barrier to access.** Countries find it increasingly difficult to understand the eligibility of the various funds, focal areas, and funding windows supported by the 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.** Broad eligibility poses challenges in obtaining index data for all countries. Where standard data are not available, other sources are used. Countries that have not worked with the World Bank or had past allocations mostly lack performance data for the GPI; therefore, their allocation cannot be fully computed.

Data Coverage and Gaps

The Global Benefit Indexes must be calculated for 161 countries in climate change and 150 in biodiversity, respectively. To determine which countries obtain what amounts from the GEF Trust Fund under the RAF, the Secretariat requests and obtains underlying data for the indicators, with support from the World Bank Development Economics department; puts the indicator data into the RAF formula to calculate the country scores; and applies other RAF design rules to arrive at each country allocation.

Benefits Data

Country coverage of data for the GBIs 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 the climate change area, 157 (of 161) countries have the full set of climate change indicator data; the remaining four countries (all small states—Marshall Islands, Federated States of Micronesia, San Marino, and Tuvalu) have no GHG emissions or energy intensity ratio data and are included in the climate change group allocation. Four countries, again all small states (Cook Islands, Maldives, Nauru, and Niue), have their GBI_{CC} computed from GHG data only; an additional 13 countries, including several post-conflict countries (Afghanistan, Bosnia and Herzegovina, Libya, and Serbia and Montenegro), do not have their GBI_{CC} calculated because they have never participated in the GEF or received GEF resources previously.[26] When data on improvement in energy intensity cannot be established, the energy intensity ratio is set at neutral (factor set to one), which has more of an effect on countries with high GHG levels.

Performance Data

Country coverage for data in the GPI is more mixed. The majority of countries (115, or 70 percent of the 161 countries) have data for all four performance indicators—the CEPIA, the BFI, the implementation completion report (ICR) indicator, and the project implementation review (PIR) indicator (the last two of which comprise the PPI)—as envisaged in the RAF allocation formula. If data for one indicator are 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, "Methodology and Context," table 2.2.)

IFAD develops an indicator annually from its sectoral policy and institutional assessment of the rural development sector for each of its client countries; this is used in the GPI as a substitute indicator for the CPIA. While it may be unusual to use different sources in the same index, the number of countries lacking the CPIA (10) was considered too large and too important for the GEF not to cover them.

The fact that missing data is mostly noted in performance may be considered unfortunate for a PBA 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 is common in development assistance. A total of 46 countries (30 percent of 161) have some data gaps in performance. Several are crisis or post-conflict countries, small countries, or SIDS. Others are high-income countries or countries without ODA.

Impact of Missing Data

In most cases of a country lacking full index data, the allocation would have remained the same had the needed data been available for the country. Countries that have never had any GEF projects do not have the PPI. Many countries without a GEF portfolio are also not traditional World Bank recipients and therefore do not have the CEPIA or BFI either. The RAF design ensures that countries without complete performance data will be part of the group allocation. Seven countries in the biodiversity allocation (4.6 percent of 150) do not have a GPI computed. In the climate change focal area, the number of countries without a GPI increases to 17 (10.5 percent of 161).

Formula Calculation of Scores

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

The midterm review found four countries (the Democratic Republic of Congo, Grenada, the Solomon Islands, and Tongo) to have erroneous data values in the calculation, whereby ICR ratings values had changed from blank (missing) in the spreadsheet to zero (below the possible range of 1 to 5). These were group allocation countries, and the miscalculation only affected one country with an individual allocation, which should have had $0.76 million more (the Democratic Republic of Congo).[27] In working with such large numbers and complex data sets, such problems are not uncommon. It does pose risks for the future, however, as only one person in the GEF Secretariat has had access to the data and the ability to calculate and apply the formula.[28] There has been no system of staff back-up or verification for the application and maintenance of a system on which the GEF is now dependent.

The continuity and audit trail in underlying data are insufficient. On the performance side, the internal original performance data were 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 10 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 World Bank Development Economics department's support, for the GBI analysis; this in turn is dependent on a single person, and there are striking challenges in continuity.[29] Apart from the interoffice agreement with Development Economics, no formal working arrangements have been established with sources for cooperation on data. From the perspective of the relevant organizations, 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. They are, however, interested in due credit for their work and in formalizing the arrangement with the GEF. Some would appreciate support in the data provision; other sources, whose information was downloaded, were not aware of its use for the GEF indexes.

3.5 Council Decisions and Implementation

Based on the Council decisions and the process described above, this section addresses the question of whether the RAF has been implemented in accordance with Council decisions. The decisions made are compiled in Technical Paper #1, "Methodology and Context," table 2.3.

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 consultation with countries, involvement of the Executing Agencies, outreach and communication with the global conventions, and monitoring the implementation of the 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 percent restriction on country resource use before the GEF-4 midpoint.

The GEF legal counsel concluded in 2004 that "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 PBA (Freestone 2004). This was also a conclusion of a review to assess whether the RAF is consistent or compatible with the conventions (Wiser 2007), although that review noted some areas where attention to future impacts of the RAF merit attention.

All decisions were not equally realistic or sufficient. The initial timeline set for the development of the RAF (six months) was not realistic. Even if the magnitude of political considerations had not been taken into account, experience with other PBA systems with more straightforward needs than the GEF's should have indicated that such a system would not be operational within two years. Other organizations that have adopted a PBA seem to have been able to do so more quickly, but they all use a similar off-the-shelf needs component of population and GNI per capita.

The initial objectives of the RAF were also overly ambitious, specifically that the system should aim at "maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide" (GEF 2003a). It is difficult to see how such a system for GEF recipients would affect a worldwide scale. The goal of maximizing impact on the environment is likely somewhat more realistic.

While the global conventions have not provided specific guidance on the RAF, several 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" (UNCBD 2008c).

The key principles established for the RAF are open to interpretation. The extent to which the RAF has been implemented in accordance with these principles is therefore debatable. A firm assessment of implementation is especially difficult for the principles assigned to the RAF—simplicity, transparency, pragmatism, cost-effectiveness, comprehensiveness, country drivenness, and equal opportunity for all recipient countries. The actions taken in accordance with Council decisions do not necessarily lead to achievement of the objectives assigned to the RAF. For example, the GEF Council asked 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 indexes and other design elements. Yet it is not realistic to expect that all aspects relevant to the GEF can be reflected in indicators, as some issues are best addressed in implementation. The RAF does not require a link between the indexes 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 indexes. 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 such as land use, land use change, and forestry; adaptation; and carbon capture and storage can be addressed in the RAF.

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. In principle, it provides 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 were to issue guidance on required enabling activities, the GEF Secretariat and 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 activities other than obligations to the conventions. It is not feasible for the GEF Secretariat or Agencies to pressure countries to prioritize projects in areas to which a country has signed as a party to a convention. A larger issue is whether the funding is sufficient for all the different priorities.

Notes

1. The concerns cited (except those regarding convention commitments) are taken from Council member statements made at the Third GEF Assembly, the August–September 2005 special meeting of the GEF Council, the June 2005 and May 2004 GEF Council meetings, and the 2002 Meeting on the Third Replenishment of the GEF Trust Fund; these can be found in GEF (2006a, 2005l, 2005m, 2004d, and 2002e). Concerns from the conventions are taken from Namibia (2008).

2. Examples include IFAD's Results and Impact Management System, UNDP's Results-Based Management System, and the ADB Project Performance Management System (GEF EO 2006c).

3. UN RBM initiatives include efforts by UNDP, the United Nations Population Fund, and the World Food Programme; UNICEF is implementing results-based program planning and management; and the UN Secretariat is introducing results-based budgeting (UNJIU 2007).

4. The UN Evaluation Group is currently concluding an evaluability assessment of eight "delivering-as-one" pilots as part of its Evaluation of the Pilot Initiative for Delivering as One.

5. Other programs participating in this group include the Cities Alliance, the Consultative Group on International Agricultural Research, the Fast Track Initiative for Education for All, the GAVI Alliance, and the Global Fund to Fight AIDS, Malaria and Tuberculosis; this last is the group convener.

6. The Climate Investment Funds include the Clean Technology Fund, which will finance the deployment and transfer of low-carbon technologies in the power and transportation sectors and energy efficiency in buildings, industry, and agriculture; and the Strategic Climate Fund, which will provide financing to pilot new development approaches or to scale up activities aimed at a specific climate change challenge through targeted programs.

7. This is illustrated by the "Declaration of Integrating Climate Change Adaptation into Development Co-operation" (OECD 2006) adopted in 2006 by OECD member country ministers of development and environment.

8. The first "Annual Monitoring Review Report" (GEF 2008a) was presented at the April 2008 Council meeting.

9. A number of written comments had been submitted before the seminar from Colombia, Denmark, France, Germany, India, the Netherlands, and Pakistan Council members. Before the Paris meeting, members from Canada and the Group of 77 provided comments.

10. These comments were from Belgium, Bolivia, Canada, Colombia, India, Mexico, Spain, Switzerland, the United Kingdom, and the United States as well as from UNFCCC and the NGO Network.

11. These notes, and their respective URLs, are listed in the bibliography of this report.

12. GEF (2005l), annex. These constituencies comprised Azerbaijan, Kazakhstan, Kyrgyz Republic, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan, supported by Austria, Belgium, the Czech Republic, Hungary, Luxembourg, the Slovak Republic, Slovenia, and Turkey. The Council also noted a statement by the NGO Network.

13. GEF (2005t). Amendments were subsequently introduced for the GEF Council meeting in November 2005 (GEF 2005c). This document describes the GEF RAF as adopted by the Council.

14. At that point, there were 180 concepts (including the Critical Ecosystem Partnership Fund, which as of this writing is still awaiting formal approval by the Council into the work program), totaling about $1.7 billion, in the GEF pipeline; 119 of these had PDF-Bs approved for project preparation.

15. These countries were Brazil, Costa Rica, Guatemala, Nicaragua, Paraguay, and South Africa (biodiversity) and Brazil, Indonesia, and South Africa (climate change). Many of these had to defer some projects in the pipeline because of the 50 percent rule.

16. This scheme aims to avoid an interruption in the GEF's financing commitment and is triggered when one-quarter of the amount of instruments of commitment received becomes available.

17. GEF replenishments are cited in terms of SDR (special drawing rights), which is used as a "base currency" and figured as a basket made up of fixed proportions of donor currencies. The GEF-4 replenishment is equivalent to SDR 2.14 billion.

18. In arrears: Belgium and the United States; not deposited: Italy, Nigeria, and Pakistan.

19. By the second meeting in January 2006, the UNFCCC Secretariat had certified the eligibility list; 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.

20. Hungary and the Czech Republic were initially eligible for GEF financing in the climate change focal area.

21. The Bahamas, Bahrain, Barbados, Cook Islands, Cuba, Cyprus, the Czech Republic, Estonia, Hungary, Democratic People's Republic of Korea, Kuwait, Latvia, Lithuania, Malta, Nauru, Niue, Oman, Poland, Qatar, San Marino, Saudi Arabia. Singapore, Slovenia, Tuvalu, and the United Arab Emirates.

22. The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, and San Marino.

23. Climate change: Angola, Bosnia and Herzegovina, Cook Islands, Cyprus, Equatorial Guinea, Estonia, Israel, Republic of Korea, Kuwait, the Marshall Islands, the Federated States of Micronesia, Myanmar, Nauru, Qatar, San Marino, Serbia and Montenegro, Singapore, and the United Arab Emirates; biodiversity: East Timor, Libya, Myanmar, and Serbia and Montenegro; not party to the conventions: Iraq, Jordan, Palestine, and Somalia.

24. 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.

25. OECD DCD-DAC (2008c). Other donors with numerous partners include Japan (135) and the United States (128); Canada, France, Germany, the Global Fund to Fight AIDS, Tuberculosis and Malaria, UNICEF, UNDP, and the United Nations Population Fund each work with over 100 partners; Greece, Luxembourg, New Zealand, the Asian Development Fund, the African Development Fund, and IDB each work with fewer than 50 partners.

26. Of the 17 countries, only Cambodia, Cuba, and the Democratic People's Republic of Korea have their GBI used in formula; they receive individual climate change allocations. The other countries are included in the group allocation, and their carbon intensity ratio and baseline emissions are not used for allocation. Maldives has a low GBI and is allocated in the group.

27. The GEF Evaluation Office informed the GEF CEO of this discrepancy by email in June 2008, and the data and allocation have accordingly been amended.

28. This staff member has in fact since left, and the vacancy was announced in July 2008.

29. The Development Economics staff member conducting the complex geographic information system mapping of ecosystems and species regretfully suffered a fatal motor accident, and it took some time for a replacement to assume the duties.

4. Design of the RAF

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

As in other PBA arrangements, the GEF RAF is a rules-based system that uses a set of formulas to allocate funds. The formula contains two main components: **needs and potential benefits**, which are measured, using the GBI, according to a country's potential to generate global environmental benefits; and **performance**, which is measured using the GPI. The RAF is unique among PBA systems in the direct attention it gives to environmental benefits in assessing needs and potential benefits.

A GEF allocation is not an entitlement. A country may receive grants up to a maximum of its allocation during the four years of the replenishment period, provided it submits project proposals through a GEF Agency that satisfy GEF requirements. 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 GBI and GPI scores. In the allocation process, specific rules aim to ensure that extreme allocation results are avoided through ceilings, pooling, and floors.

For each of the indexes included in the RAF design, this chapter addresses

- the relevance and reliability of indicator data,
- the related topic of substantive coverage and scope of the indicators,
- balance and weights among elements as each indicator/index is applied,
- data gaps and opportunities for using new data sources.

4.1 The GEF Benefits Index

The GBI measures the scope for producing global environmental benefits in a particular focal area in a given country.[1] It is not designed to measure country intention, capacity, or performance.

The GEF Benefits Index for Biodiversity

The purpose of the GBI_{BIO} is "to measure the potential global benefits that can be realized from biodiversity related activities in a country" (GEF 2005c). The index is made up of two parts:

- **Terrestrial score.** This score counts for 80 percent of the index and is constructed through a four-part process that takes into account representation and threat levels across the country's terrestrial ecoregions for six taxonomic groups—mammals, birds, amphibians, reptiles, vascular plants, and freshwater fish.

- **Marine score.** This score, which counts for 20 percent of the GBI_{BIO}, is the sum of the credits from all the marine fish species located in the country's territorial waters.

Relevance and Reliability

The quality and comprehensiveness of GBI_{BIO} 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 index uses data sources from international organizations specializing in various aspects of biodiversity issues. The sources are considered 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 CBD, conservation. Delphi experts felt that the emphasis on conservation was appropriate but indicated that its emphasis was insufficient regarding the two other objectives, sustainable use of biological resources and transfer of genetic resources across borders.

The GBI_{BIO} contains information on both ecoregions and species, with particular emphasis on the latter. The RAF index will inevitably reflect weaknesses or gaps in underlying data, such as for arid ecosystems and for marine and freshwater species and habitats, area size and habitat complexity, incomplete mapping of species in some countries, and species migration across borders and ecoregions. Areas not covered include habitats, ecosystem services, the 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 individual indicators and both the final index score and the country allocations. No indicator dominates the index more than others, as the statistical correlation among each indicator, the GBI_{BIO} score, and the allocation is relatively high.

Coverage and Scope

Delphi participants support the view that the data used in the GBI_{BIO} should be expanded to incorporate a broader range of **taxonomic groups**. There is strong expert agreement (an average of 8.5 on the Delphi score of 1–10) on the desirability of including marine invertebrates such as sponges, jellyfish, corals, mollusks, crabs, shrimp, and lobsters, and moderate support (an average of 6.0) for expansion to terrestrial invertebrates.

There was no agreement among the Delphi participants to amend the index to give greater weight to **biosafety**. Experts pointed out that it was difficult to envision how this issue could be measured, particularly as national data are not yet broadly available.[2]

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 percent indicated strong disagreement. UNCBD (2008a, Decision IX/1) 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 GBI_{BIO} does not cover **carbon sequestration** and other ecosystem values (Watson and others

2000) or carbon sinks. 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_{CC} would decrease, leading to a lower score in climate change.

Balance and Weights

The main concern regarding weights relates to the fact that the RAF gives a country's terrestrial biodiversity score 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 (see chapter 3), 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.

Decisions on **marine/terrestrial weights** mostly affect SIDS, countries with a large exclusive economic zone; on the other side of the spectrum, landlocked countries would be scored on their terrestrial component only. The midterm review simulated the effects of changes in the marine weight. Of the 37 SIDS with biodiversity allocations, 9 have individual 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 small island developing state and four landlocked countries) would move from individual to group allocations. 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 that currently have high individual allocations also have large marine resources, their GBI_{BIO} increases when the weights are modified. The individual allocation countries currently have 85 percent of the accumulated marine score (and 89 percent of the accumulated terrestrial score).

There was strong agreement that the **threatened/endangered status** of species and ecosystems should be treated the same way for marine biodiversity as for terrestrial biodiversity. There was less agreement about the feasibility of doing so. Delphi biodiversity experts were uncertain about the availability of data for assessing the threatened/endangered status of marine species (4.8 on a scale of 1–10), though some suggested exploring data on the areal extent of coral reefs, mangrove areas, and seagrass beds. A study on the RAF marine biodiversity indicators (Fedder 2007) identified potential new data sources on marine biodiversity that could be relevant to the RAF and warrant monitoring for inclusion in the future.

Channeling Resources for Biodiversity to Global Environmental Benefits

The RAF channels resources to countries with high global biodiversity environmental benefits, although not in exact proportion to GBI scores. The 57 indicative countries (that is, those with individual allocations) account for the bulk (88 percent) of GBI_{BIO} scores of the 150 eligible countries. These countries accumulate 75.3 percent of the total resources of $1 billion in the focal area. (See table 4.1.)

There was general agreement among Delphi biodiversity experts that the list of countries qualify-

Table 4.1

RAF Allocations and GBI Scores by Type of Allocation: Biodiversity

Allocation type	Number of countries	Share of allocation (%)	Allocation (million $)		GBI score		Share of scores (%)		
			Max.	Min.	Max.	Min.	GBI	Marine	Terrestrial
Individual	57	75	63.2	3.5256	663.7	19.9	88	85	89
Group	93	15	3.5255	1	70.5	0.1	12	15	11

ing for individual funding was somewhat biased toward conservation. There was no consensus as to whether the GBI_{BIO} should be amended to give greater weight to **megadiversity** countries or countries with biodiversity hotspots (median of 3 on a 1–10 scale).[3] The 17 countries rich in biological diversity and associated traditional knowledge called like-minded megadiverse countries accumulate a share of the biodiversity index of 59 percent and 46 percent of the total focal area funds. A recent report to the CBD noted that this amount is an increase of 76 percent from GEF-3 (UNCBD 2008c).

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); some fall squarely within group allocation countries. Others—such as the Atlantic Forest in Brazil (individual allocation) and Uruguay (group), and the Guinean Forests of West Africa, which covers Nigeria and Côte d'Ivoire (individual allocation) as well as Ghana, Guinea, and Liberia (group)—cross borders between countries with individual and group allocations, often with the group allocation country being smaller in size. Of course, allocation to a country with biodiversity hotspots does not imply that GEF funds will be used for the hotspots as such.

GEF Benefits Index for Climate Change

The purpose of the GBI_{CC} is "to measure the potential global benefits that can be realized from climate change mitigation activities in a country" (GEF 2005c). It consists of two major parts:

- The index measures the country's **baseline GHG emissions** in tons of carbon equivalent in the year 2000 from fossil fuel combustion and cement and the emission of other GHGs.
- The **carbon intensity adjustment factor** is computed as the ratio of carbon intensity in 1990 to that in 2000. A country's carbon intensity measures the tons of carbon equivalent emitted by the country per unit of economic activity as measured by GNI.

Relevance and Reliability

Annual GHG emissions were included as the main component of the GBI_{CC} 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 a country's mitigation potential.

However, some concerns were raised in the Delphi study. A country's mitigation potential is not only based on its GHG emissions but also on its capacity to implement mitigation measures. Annual GHG emissions do not take into account those countries that have low emissions and high forest cover, or indicate if countries have seasonally 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.

In the GBI_{CC}, countries' change in **energy intensity** is used to complement GHG emissions. Climate change experts in the Delphi study found energy intensity useful as an indicator of a country's mitigation potential (average of 6.3).

The **energy intensity adjustment factor** takes account of a country's economic growth. The index is constructed with per capita GNI in such a way that a country can increase its GHG emissions at the same pace as GNI growth without changing its GBI_{CC} score. Delphi climate change experts found the per capita GNI useful (average of 5.8). However, the adjustment factor plays a small role in the index: GHG emissions dominate the scores, and energy intensity will only adjust the emissions in the index up or down, since the GBI_{CC} multiplies the GHG emissions with intensity change (rather than adding the two indicators with relative weights). A total of 75 percent of climate change allocations go to the top 20 percent emitters; the carbon intensity adjustment factor is more evenly distributed, with the top 20 percent of countries having improved their carbon intensity.

The GBI_{CC} uses a **baseline year and a yearly range** for both GHG emissions and carbon intensity; the year 2000 was used as the baseline for the initial allocation, and the UNFCCC indicated 1990 as the base year. Delphi experts found the choice of baseline years, the 10-year lag, and the use of a single base year to be arbitrary. Experts disagree on the best year for measuring GHG emissions for the index. The midterm review simulation shows no significant allocation changes across GBI quintiles with different baseline years in 1990, 1995, or 2000.[4]

Coverage and Scope

In the GBI_{CC}, GHGs from **land use change** and from industrial non–carbon dioxide emissions are not included. For many LDCs, non-energy GHG emissions dominate, so the exclusion of land use, land use change, and forestry emissions may distort the index. Distortion is a particular concern for forest-rich countries such as Brazil and Indonesia.

Experts found the representation of **sources of GHGs** (for example, fossil fuel use and cement production) adequate to some degree (average of 5.2). Given that the index is supposed to be correlated with mitigation opportunities, the Delphi panel suggested that the GBI_{CC} consider the following alternative sources of GHGs in decreasing order of importance: (1) agriculture and land use, (2) deforestation and forest degradation, (3) gas flaring, and (4) industrial non–carbon dioxide, to the extent that recent and robust data would become available.

About half of the Delphi participants found that the **representation of gases** in the GBI_{CC} is adequate (average of 6.0). Participants were of the view that all types of GHGs from all sources should be accounted for. On the other hand, most (60 percent) of the Delphi participants found **Clean Development Mechanism and carbon trading** initiatives not very relevant for a climate change index.

Balance and Weights

There is a high level of 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 of 8.5). Experts agree, as do many stakeholders, on channeling the majority of funding for adaptation to the most vulnerable countries, paralleling the fact that most of the funds under the GBI_{CC} go to mitigation in countries with more emissions.

There were mixed views on how best to address this, either by using vulnerability broadly as a principle to guide funding under the 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, GEF funding for 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 on Adaptation.

Most developing countries are still in the process of preparing their GHG inventories based on the 1997 guidelines from the Intergovernmental Panel on Climate Change. Coverage of GHG emissions in **national communications** to the UNFCCC is still too limited to include all of the countries eligible for GEF support in a consistent manner; this is partially because some countries lack the capacity to fully report their GHG emissions, especially from land use, land use change, and forestry. Stakeholders and experts indicated a variety of areas where improvements are needed to capture the full range of issues related to climate change mitigation and adaptation, but it is less certain if data would be available for inclusion in an index. Forty-seven percent of the Delphi respondents did not know of any measures relating to **human vulnerability or social impacts** that should be reflected in the climate change index or in another index or form of measurement. Future data may emerge from the UNFCCC Nairobi work programme on impacts, vulnerability, and adaptation to climate change.

Channeling Resources for Climate Change to Global Environmental Benefits

The RAF channels resources to countries with high global environmental benefits, though not in exact proportion to GBI_{CC} scores. As can be seen in table 4.2, the GBI share increase outpaces the resource allocation share increase. The 46 indicative countries receive 75 percent of total focal area resources, but cover 89 percent 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 4.2

RAF Allocations and GBI Scores by Type of Allocation: Climate Change

Allocation type	No. of countries	Share of allocation (%)	Alloc. (mil. $)		GBI score		Share of scores (%)	Emissions (%)		
			Max.	Min.	Max.	Min.		Baseline	CO_2	Non-CO_2
Individual	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

Notes: CO_2 = carbon dioxide. Only carbon emissions from fossil fuel combustion and cement and the emission of other GHGs are included in baseline GHG emissions.

A few (15 percent) of the Delphi respondents found the GBI_{CC} 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 sufficient momentum to continue 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 GBI_{CC} should concentrate resources in countries in the middle 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 a country's overall size of emissions nor its economic growth are reliable proxies in 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 on the Delphi panel thought that there was too great a concentration of funding for climate allocated to too few countries (average of 7.1, with 10 being "far too much"). But it is not obvious which countries should receive more or less.[5] Some of the panelists believed that a more balanced distribution of GEF climate change funding would result in substantially greater GHG emissions mitigation (average of 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 larger number of countries.

Emerging New Data and Data Gaps

The data for the GBI_{CC} is provided by the World Resources Institute's Climate Analysis Indicators Tool. Delphi experts agreed with the use of this tool to a limited extent (average 4.6) for the inventories from national communications. Experts also thought that the correlation between World Resources Institute and national communications data was not strong, but no consensus emerged as to 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; and agriculture, forestry, and other land uses.

4.2 The GEF Performance Index

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 GPI is to "measure each country's capacity to successfully implement GEF programs and projects" (GEF 2005c). The GPI is a quantitative measure of this capacity, combining data on

- government performance in relevant policy areas, measured by the CEPIA;
- quality of management in selected areas of the public sector, measured by the BFI;
- quality of completed and ongoing environmental projects in the country, measured by the PPI.

The GPI was a central part of the RAF from the beginning and was perhaps its most controversial aspect (see Technical Paper #1, "Methodology and Context"). Several factors contributed to the interest in including country performance as a criterion for GEF allocations, including a concern on the part of the Council that the GEF focus resources toward “high-performing” countries, the presence of an established practice of multilateral development banks, and broad awareness of recent studies emphasizing the importance of country policy environments in the 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 pertain to 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). 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 (30 countries) with the highest GPI ratings features 13 with indicative allocations; in climate change, 16 of 30 countries have indicative allocations.[6]

The CEPIA and the BFI

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

Relevance and Reliability

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 the 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.

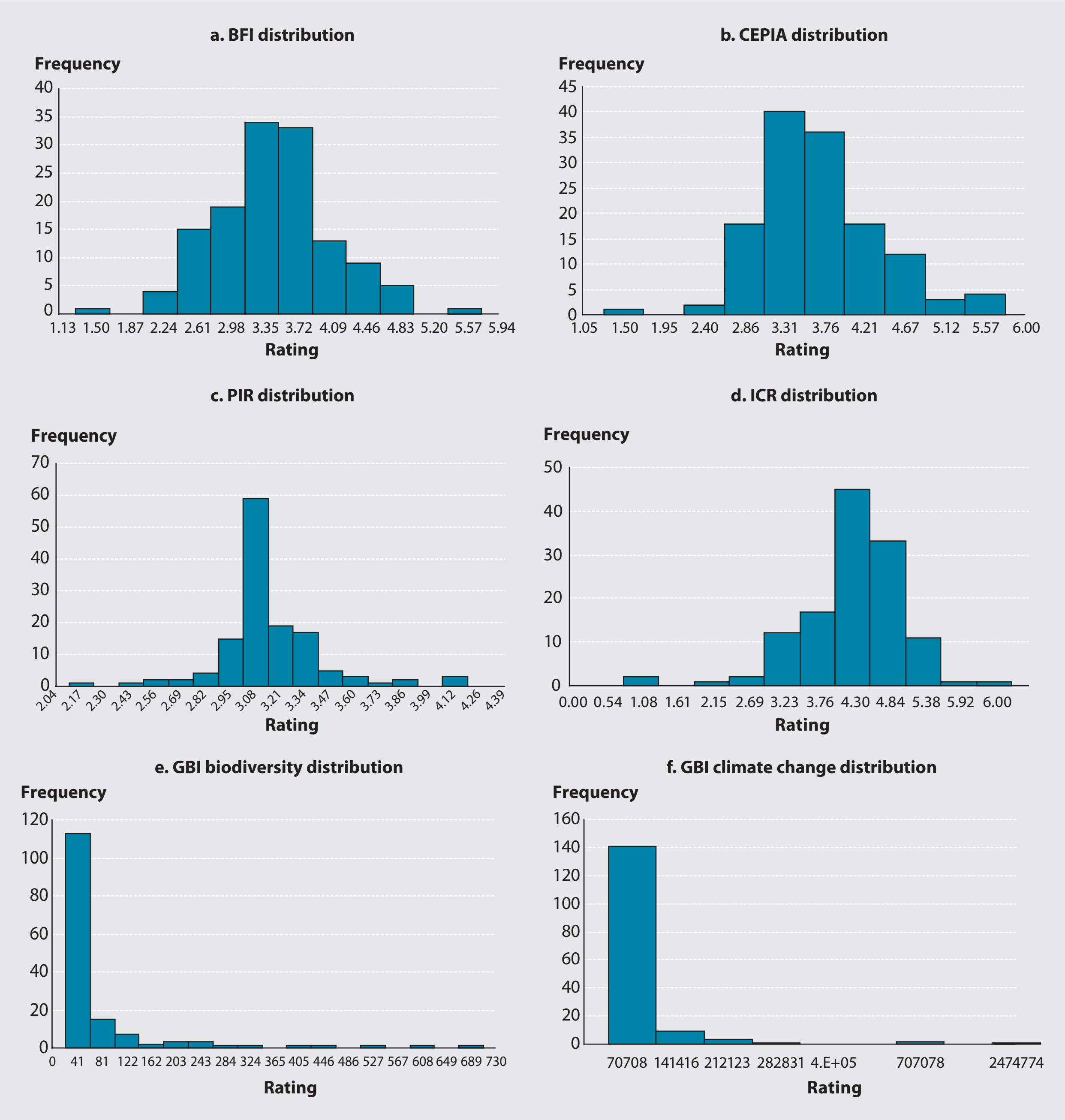
While the **possible ratings** for the CEPIA and the BFI for a given country range from 1.0 to 6.0, the actual range of scores is more limited. There is a long-standing tendency for ratings to hover considerably around the median, with most ratings in the 3.0 to 4.0 range. In the 2007 assessment, CEPIA 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 suggesting that methodology improvement may not make a notable difference to scores. In fact, as seen in figure 4.1, the performance indicators tend to cluster around a few ratings in the mid-range of the scale, contrasting with the skewed distribution of 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” (IDA 2007a). CEPIA data are obtained from an IDA indicator for 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.[7] The relevance of the indicator’s substantive coverage to biodiversity is high, but fighting 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 much substantive ground, but the diagnostic value of a summary rating of this kind may be limited, since specificity regarding the applicable environmental subsectors is lacking.

Figure 4.1

Distribution of Indicators in the GBI and the GPI



The quality of public sector management is gauged through the **BFI**, which carries a weight of 20 percent in the GPI. The BFI 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 BFI rating is a simple average of scores for the five indicators. A recent internal assessment by the World Bank found it to be "a sound index" for measuring governance to support IDA's resource allocation system (World Bank 2006).

If CEPIA and BFI data are not available for a country, a summary score from the rural sector assessment indicators developed by IFAD is used instead. This group of indicators, which was used for six climate change and seven biodiversity countries in the RAF allocation, covers five thematic clusters: strengthening the capacity of the rural poor and their organizations, improving equitable access to productive natural resources and technology, increasing access to financial services and markets, gender issues, and public resource management and accountability. While these themes are especially relevant to assessing the health of the rural sector in developing countries, they have limited or unclear relevance to the quality of environmental policies.

Coverage and Scope

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 subscores as this criterion's rating is developed. Ultimately, policy status is rated jointly for both pollution and resource issues.

Delphi performance experts did not come to a consensus on whether there are other available indicators that should be considered for use within the CEPIA or the BFI (average of 4.0). Several remaining indicators from IDA's CPIA are not included in the overall GPI, including three indicators from the economic management cluster, three from the structural policies cluster, and four from the policies for social inclusion/equity cluster. Environmental issues are concentrated in the CEPIA indicator; these others did not appear to have much relevance to the GEF mandate.

Balance and Weights

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. The CEPIA thus counts the most in determining the overall value of the GPI.

Within the GPI, 90 percent 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 found that the CEPIA and the BFI make use of best practices in performance measurement (7.6 average response). Experts were somewhat less convinced about the exact weight of 90 percent accorded to country policy and institutional performance within the GPI (6.1 average response).

The PPI

The third component of the GPI is the PPI, which measures the quality of both ongoing and closed projects. Data for the PPI are derived in an equally weighted split between an indicator summarizing ratings contained in PIRs of GEF projects and an indicator summarizing ratings by the World Bank's Independent Evaluation Group of ICRs for the Bank's environment-related projects in the country. The PPI counts for 10 percent of GPI calculation.

Relevance and Reliability

In principle, an indicator that captures project performance would be highly relevant in assessing the capacity to produce global environmental benefits through GEF projects. Both ICRs and

PIRs are based on self-assessments by project management with internal verification processes established to ensure consistency of ratings.

There was a high level of support among the Delphi performance experts for the proposition that PIR and ICR scores are likely to be a useful partial measure of a country's ability to implement GEF projects successfully (average of 7.1 for the PIR and 6.2 for the ICR). PIRs are highly relevant in that they rate GEF projects only and are implemented by all Agencies for all GEF projects in all focal areas and extend back over the last 10 years. However, this long time horizon means that the performance assessed is relatively dated.

The ICR rating covers environmental projects implemented by the World Bank, whether funded by the GEF or not. The classification of "environmental" is quite broad, and the decision as to which projects to include is based on the judgment of the GEF 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 regardless of sector.

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

A major concern regarding portfolio indicators for PBA systems is **small portfolios**. Many countries do not have enough environmental projects ongoing to allow for statistical stability in measuring their quality. Some PBA systems use various methods to "smooth" data (10-year moving averages of ratings, for example) to address this problem. The PPI summarizes data for all projects implemented in a country over 10 years, which helps somewhat but does not fully address the challenge faced by countries with small portfolios. For the PIRs, 28 countries have a single project rated; only 8 countries have more than 10 different projects rated. Coverage is better for the ICRs, for which 59 countries have ratings for more than 10 projects.

As noted, to overcome the bias of smaller portfolios and to provide stability, the PPI covers ratings over the last 10 years. Delphi experts did not reach consensus as to whether to shorten this period (average 4.5). PIR scores cover yearly ratings for the same projects, although it is relatively rare that there are major fluctuations in ratings for one project over time. On average, PIRs yield ratings 0.83 points higher than those given by the GEF Evaluation Office.

Another approach to counter bias is the inclusion of several ratings. For the PIR, both development objective and implementation progress are rated. The ICRs may contain several ratings (including ratings on risks, sustainability, impact, quality at entry, Bank supervision, overall Bank performance, borrower preparation, borrower implementation, borrower compliance, overall borrower performance, and ICR quality), but only one—that for overall outcomes—is used in the index. 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 final evaluations to the GEF Evaluation Office of 7.9 months (GEF EO 2008c).

Coverage and Scope

The PIRs and ICRs assess, among other things, the quality of the implementing organization in reaching planned project accomplishments. In the case of GEF projects, this organization is a GEF Agency. Historically, governments have executed

70 percent of GEF FSPs and 36 percent of MSPs; and, in most cases, the government also plays a role in projects executed by NGOs and private sector partners. For projects managed by foundations or multilateral or bilateral entities (historically, 28 percent of FSPs, although many of these are global projects), government's influence on the ability of a project to meet its objectives successfully or to make implementation progress may be indirect. To the extent that data are available for both Agency and country performance in the ICR, the midterm review did not find that these ratings differed notably or favored Agency performance over the borrower's.

Balance and Weights

Delphi participants indicated general support for the inclusion of portfolio performance in the GPI, although that support is not as strong as for the CEPIA and the BFI. There was neutral support for the current weighting of portfolio performance within the GPI (10 percent), with an average response of 5.3; some experts would support a higher weight for the PPI of up to 30 percent. Statistical simulations were undertaken to change the PPI weight to 30 percent while keeping constant other GPI ratios. The results in both focal areas show that the pattern of allocations is not significantly sensitive to increased PPI weight.

Channeling Resources to High-Performing Countries

The 57 countries with individual allocations in biodiversity accumulate 41 percent of the GPI scores and 75 percent of the funds, while the group allocation countries obtain 59 percent of the total GPI scores (see table 4.3). In climate change, the shares are more widely spread: 35 percent versus 65 percent of GPI from individual and group allocation countries, respectively. Within the GPI for the first 20 highest ranked countries, 8 out of 20 are indicative countries allocated with $169.27 million; the other 12 have a higher GPI but a lower GBI and are group allocation countries. The high GPI indicative countries account for 16.9 percent of the total resources.

In general, the countries with the highest GPI are found in the group allocation, and the group allocation countries have more GPI scores collectively. The individual allocation countries are spread across the quintiles described in table 4.3.

The GPI has a small range (1–5), and its values are spread more evenly across recipient countries. The six countries with the highest GPI scores are all group allocation countries and are mainly located in Europe.[8] Some of the highest GPI scoring countries are fixed at $1 million; some with low performance scores receive high allocations; the rest is spread unevenly.

Table 4.3

Distribution of GPI and GBI Scores across GPI Quintiles

	GPI				Allocation		GBI	
Quintile	Score	Share (%)	Maximum	Minimum	Million $	Share (%)	Score	Share (%)
1	113.83	26.7	4.43	3.37	296.99	33.00	2366.42	30.99
2	95.04	22.3	3.36	3.05	246.54	27.39	2011.54	26.34
3	87.58	20.6	3.05	2.74	152.95	16.99	1180.36	15.46
4	79.84	18.7	2.73	2.49	94.55	10.51	694.76	9.10
5	49.72	11.7	2.49	1.27	108.98	12.11	1384.14	18.12
Total	**426.01**	**100.0**	**4.43**	**1.27**	**900.00**	**100.00**	**7637.20**	**100.00**

It is fair to say that the RAF channels resources to high GBI countries, adjusted to their performance. However, the formula could provide encouragement for countries on the margin, such as a group allocation country with a relatively high GBI that can increase its performance rating to be lifted out of the group, or an indicative country that can 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 and keep the ceiling allocation while still retaining $150 million in funding for climate change.

4.3 Other Design Elements

This section details various index-related RAF design elements, specifically weights; flexibility and volatility; and exclusions to the formula, together with floors and ceilings. Further information is provided in Technical Paper #8, "Comparison of the GEF RAF with Other Performance-Based Allocation Systems," section 4.

Weights in the RAF Formula

This discussion addresses key midterm review questions on the weights of performance within the indexes and the possible impact on allocations of differing weights in the allocation equation.

Definition and Importance of Weights

To apply a weight in an allocation formula, a numerical multiplier (or other coefficient) is used in the calculation to control the importance or influence of a particular component. Elements given a relatively high weight contribute more to the calculation result than do elements given a lower weight.[9]

There are two ways in which organizations have chosen to apply weights to factors in their PBA systems. One way is to **assign weights to different indicators and then add them up**. The GEF's calculation of the GPI is an example of this approach. The GPI is the sum of three different country scores (for the PPI, CEPIA, and BFI), each with its own weight in the formula (10 percent, 70 percent, and 20 percent, respectively):

$$\text{GPI} = 0.1\ \text{PPI} + 0.7\ \text{CEPIA} + 0.2\ \text{BFI}$$

This is a relatively simple approach. IDB uses it throughout its PBA. Other organizations (AfDB, CDB, IFAD, and IDA) do not use it throughout the PBA, but they do tend to use it in calculating the performance component.

Another way to assign weights is by using **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 0.8 and 1.0, respectively. The weight of 1.0 indicates no changes to any GPI values when applying the formula.

Virtually all organizations that use PBA systems—with the single exception of IDB—apply this form of allocation formula. There are apparently 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, it is commonly held that using exponents in a multiplication formula gives greater weight to performance. In general, it is true that a larger exponent means a higher weight to that variable. However, this link is not straightforward, because of its exponential nature.

Simulation of Weights

In a multiplication formula, there are many things that affect the resulting pattern of country scores, and the relationships between allocations and variables in such a formula are complex. In fact, the very 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 a given variable can radically affect its dollar allocation, particularly if there is a large exponent on the variable. Exponential weights and changes in performance scores thus can be a rather explosive combination.

The effect of changing weights differs greatly depending on which weight is increased or decreased. The midterm review tested three scenarios using various modifications to the RAF formula:

- **Scenario A: Increasing GPI weight from 0.5 to 4.0 (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 to the indicative countries. The rankings among top-scoring countries would change in both focal areas.
- **Scenario B: Keeping the GPI weight equal to 1.0, while decreasing the GBI weight from 1.0 (by steps) to 0.1.** This scenario 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 allocation, or in the other direction, would range from a few to more than a dozen, depending on the particular weight.
- **Scenario C: Weight both the GBI and GPI at 1.0 (neutral weight).** This scenario would reduce the number of countries with individual allocations from 57 to 44 in biodiversity and from 46 to 35 in climate change. For example, the top-ranked country in biodiversity would receive $22.6 million more than currently.

These scenarios clearly show that while changes in the relative weights of the GBI and GPI can potentially produce significant shifts in country allocations, under the current RAF weights it is the GBI and not the GPI that is the driving force behind the distribution of allocations in both focal areas. The Delphi panel of experts indicated a positive (although not overwhelmingly so, with an average score of 6.3 on a scale of 1–10) assessment on the appropriateness of the relative weights of the GBI and the GPI. The panel participants recognized weighting as a "judgment call."

Flexibility and Volatility in Allocations

This discussion covers key questions as to the flexibility of the RAF formula, how scores and allocations fluctuate (volatility), and how the formula takes into account changes in the underlying indicators.

Tools for Ensuring Flexibility

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 can be 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. 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. Such 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. Set-aside funds are normally unrestricted geographically. The portion of funds set aside varies from about 5 percent (for example, the IDA allocation for regional projects) to as much as 25 percent of the total concessionary funds being allocated (for example, CDB set-asides for regional projects and special purposes). The GEF RAF has a 10 percent exclusion of climate change and biodiversity funds (including 5 percent for global and regional activities and 5 percent for cross-cutting issues, the SGP, and capacity building).[10]
- **Reallocations.** If reallocations are sufficiently frequent, they can make a major contribution to flexibility in two ways. First, formal allocations can be made more frequently. IDA allocations are done annually, for example, rather than every two years. Second, a single allocation can have several iterations; that is, repooled funds of excess allocations can be reallocated using the same performance-based formula as in the original allocation. This is approximately how IFAD conducted its 2006 allocation exercise. IDA, in the third year of its replenishment period, provides for a limited amount of additional ad hoc funds reallocation from specific low-demand countries to specific high-demand countries, as long as funds flow only from lower performing countries to higher.
- **Special pools of funds.** The GEF has a special pool of 15 percent of the total funds that it has available for biodiversity and climate change grants (the group allocation). The maximum grant for any country in the pool is fixed by the highest allocation any country in the pool would receive if each received formula-based individual allocations. On the other hand, the pool has a rigid ceiling that cannot be changed, so not all countries can access the maximum. ADB also operates a pool of funds for its Pacific region, which comprises SIDS, at 4.5 percent 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 PBA systems, a country may seek access to funds that normally would be available only at a later time in the period, although most organizations do impose limits on such 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. However, it is debatable whether this rationale outweighs the practical difficulties created by constraints on how quickly an allocation can be drawn down, especially for small countries trying to put together a viably sized project in face of an already small allocation.

An example of provisions for front-loading is given by IDA, which, in the first year of its rolling three-year allocation period, can increase an individual country's allocation by up to 30 percent. The first year share of a country's AfDB allocation can be increased by up to 50 percent, and the ADB first year allocation can be increased by different amounts depending on country size up to 75 percent for the smallest countries. The midterm review Delphi panel on performance indicated moderate to strong agreement with enabling access to 100 percent of country allocations to fund viable projects (average of 7.3 on a 10-point scale).

- **Back-loading within a replenishment period.** In general, organizations do not limit back-loading (waiting until late in the replenishment period) until the final year, when 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, but they seem to contribute substantially to the flexibility of resource allocation systems in some organizations. For example, actual amounts approved by CDB for some countries during Special Development Fund 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. IDA, for example, 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 one 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 system'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 system itself. Historically, countries in conflict situations did not tend to access funding for GEF projects.

In other PBA systems, particular approaches are applied, especially since other organizations normally have crisis and emergency support as part of their mandate. Fragile states receiving AfDB assistance, for example, may receive a "top up" (increase) to their country allocations as fragile states have their own special window for support. In ADB, set-asides for conflict and post-conflict situations account for 10 to 15 percent of the Asian Development Fund. CBD uses its PBA system flexibly so as to respond to disasters; it 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 CPIA scores. This assessment, which is 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 post-conflict assessment and the CPIA.

Some have suggested that the GEF should develop a rapid response mechanism for addressing immediate effects of environmental disasters such as extended drought and flooding.[11] 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 in response to the 2008 China earthquake, for example.[12]

Volatility

Currently, updates to the RAF are conducted every two years. The RAF appears to be more stable than volatile as currently designed; this is 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 (1) the number of individual allocation countries and group allocation countries (varying by a couple going up or down), (2) small shifts in group ceilings, and (3) decrease or increase in allocation of more than 10 percent (two countries only).

Group Allocation, Supplements, Floors, and Ceilings

The following discussion considers the key question of the impact on allocations of the various exclusions to the allocation formula based on indexes, as well as the impact of the floors in allocations. (The 10 percent exclusion for the SGP and global and regional projects is discussed in Technical Paper #4, "Implementation of the RAF," section 4.2; and Technical Paper #6, "Effects of the RAF on the Small Grants Programme.")

The Group Allocation and Targeted Supplement

In an unusual move among international financial institutions, the RAF created two categories of countries that are treated differently with regard to allocations.[13] The RAF document specifies that the countries with the highest score accumulating up to 75 percent 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 percent and minus the funds given to individual allocation countries. Before the adjustment of 75 percent is made, each group allocation country has a preliminary allocation that corresponds to its score from the RAF formula. This results in two categories of countries:

- **Category 1: Indicative countries.** This category is defined by the smallest number of countries whose allocations sum to 75 percent of the funds available for the focal area. Each country in category 1 received an individual allocation in GEF-4.[14]
- **Category 2: Group allocation countries (all countries not in category 1).**[15] A country in this category can access a maximum amount[16] equal to the highest individual allocation any country in this group would have received if there had been no grouping. That is, all countries in category 2 have the same maximum amount they can access (subject to a cash constraint for the whole group).

Each country whose preliminary country allocation is less than $1 million is automatically given a minimum adjusted allocation of $1 million, which becomes the floor. The additional amount needed to bring these countries up to $1 million is called a **targeted supplement**—in effect, a kind of subsidy to these countries. The total for such supplements amounts to $41.3 million, or 2 percent of the resources for the two focal areas.

Preliminary country allocations for the 93 countries in the **biodiversity group allocation** were as follows before they were pooled in the group funds:

- Fifty-three countries received allocations in a range between $1.02 million and $3.53 million.
- Ten countries were set to the minimum allocation of $1 million because they had no historical allocations, were not previously GEF participants, or lacked basic data for the RAF indicators.
- Thirty countries were increased to the minimum allocation of $1 million because their preliminary allocations were below $1 million. The amount needed for the targeted supplement for the biodiversity group was $15.4 million.

Preliminary country allocations for the 115 countries in the **climate change group allocation** before pooling were as follows:

- Forty-one countries received allocations in a range between $1.03 million and $2.97 million.
- Thirty-three countries were set to the minimum allocation of $1 million because they lacked historical allocations, were not previously GEF participants, or lacked basic data for the RAF indicators.
- Forty-one countries were increased to the minimum allocation of $1 million because their preliminary allocations were below $1 million. The amount needed for the targeted supplement for the climate change group was $25.9 million.

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 is 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 about 15 percent of all focal funds.

The RAF document is ambiguous in some important respects in its explanation of how the group country allocations are to be calculated.[17] Each country in the group allocation is limited in the funds for which it can apply 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 with regard to the group allocation for smaller countries.

The midterm 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 4.5 out of a possible 10, with 10 representing "a great extent." 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 discussion considers whether a limit (ceiling) should be placed on the maximum allocation a country can receive in a single 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, the GEF limited its individual member countries to a maximum allocation of 10 percent of the total funds available in the biodiversity focal area and 15 percent 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 percent of its total funds that can be allocated to any one country during a single replenishment period. IDA limits the allocation of any individual country to a maximum of SDR 19.8 per capita. ADB operates what it calls a "soft cap," whereby blend countries (those countries with access both to ADB's ordinary capital resources and to Asian Development Fund assistance) whose individual allocation is greater than 14 percent of the total funds available receive only half of the allocation above that threshold. AfDB has a maximum allocation of 10 percent of total AfDB funds, and IDB limits individual allocations to a maximum of $54 million per year. CDB has a fixed allocation for Haiti.

Since ceilings are often used as a means of preventing especially large-population or low-income countries from being granted major proportions of total available funding, some may argue that they represent a shift away from maximizing potential benefits and performance.[18] On the other hand, there may be several reasons for establishing ceilings, including answering to political equity and mandate concerns to protect the interests of small countries, practical concerns about absorptive capacity in countries that may be given the largest allocations, and 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.[19] The choice of a ceiling depends on the degree to which allocations would be skewed toward 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 percent of total funds available. Although there was no pressing need for a ceiling, one was set at 10 percent, with no effect on allocations.

In contrast, in the GEF climate change area, a single country (China) had historically received as much as 17 percent of total funds. A ceiling of 15 percent of total funds was established for this focal area. In this case, the shift for the largest allocation country was substantial: without the ceiling, China would have received $224 million; with the ceiling, it received $150 million, a reduction of 33 percent. Note that the GEF ceiling is applied to total focal area funds including the exclusion ($1 billion), not as a ceiling on country funds ($900 million) after the exclusion. If the latter were the case, China would have received $135 million in climate change.

Depending on their placement in the overall ranking and the proportion of total funding they account for, different countries' sensitivity to ceilings varies. For example, if the biodiversity ceiling had been set at 5 percent in GEF-4, the allocations of two countries (Brazil and Mexico) would have been reduced by 21 percent and 8 percent, respectively. Since the increment would have been only 2.4 percent 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 percent in the climate change area would have resulted in a redistribution of about 28 percent of total resources in this area. China's allocation would have fallen by 67 percent, India's by 33 percent, and Russia's by 31 percent. 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 percent of total funds, approximately 7.4 percent of total funds in this focal area would have been redistributed to other countries with modest but discernible effects on their allocations.

Establishing the right ceiling is ultimately a strategic decision, but can have a notable effect on the distribution of funds. In simulations of alternative levels of country caps, it was found that **lower ceilings mainly benefit individual allocation countries**. An argument for lowering ceilings in the climate change area is that, at present, the countries with the largest GHG emissions are receiving large amounts of GEF funds. In addition, the current formula addresses only the potential costs of climate change mitigation and not 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 this focal area.

Floors

Floors aim to secure countries a minimum amount and avoid allocations of tiny amounts that are not practicable for programming purposes. The RAF's targeted supplement, whereby countries with a preliminary allocation of less than $1 million are provided with a minimum adjusted allocation of $1 million, 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 under or above the $1 million floor. There is no guaranteed minimum amount. In biodiversity, 30 countries are subject to the floor; in climate change, 41 countries.

There are three different scenarios with regard to floors.

- **Scenario A: Floor set lower than $1 million.** In this scenario, the number of indicative countries falls, but the number in the group allocation grows, the group ceiling becomes higher, and the overall allocation to the indicative countries increases.
- **Scenario B: No floor.** In this extreme case, allocations are equivalent to a country's preliminary allocation (not made public), however small. No supplement is needed to raise the group countries to $1 million, and the 75 percent cutoff point moves up. The number of indicative countries decreases from 57 to 51 in biodiversity and from 46 to 31 in climate change.
- **Scenario C: Floor set to more than $1 million.** In this scenario, 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, the number of 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 percent of resources go to indicative allocations for the top-scored countries. The more funds that are available, the more funds that go to the top 75 percent. The floors help distribute resources across countries to a larger extent than would be the case without floors.

4.4 Recognition of Country Achievements

Resource allocation systems such as the RAF have several objectives. One is to address needs and potential benefits; another is to recognize good performance. By "performance," the GEF means both project performance and policy/institutional performance.[20] Both types are important, but the longer term effects of the latter are potentially more significant, 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. These governments have demonstrated that they can use funding well (as measured by their portfolio performance, PPI), and that they have policies and institutions in place that ensure country-wide effectiveness (as measured by their policy and institutional performance, CEPIA and BFI).

In the longer term, the aim is to recognize that member countries have enhanced their practices so that their RAF scores improve, which in turn increases their access to grants. The question is how much a country's RAF score (and therefore its allocation) changes when its practices upgrade. The incentive depends on how much recognition a country would realistically get when it has improved its practices, and also on government understanding of the links 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 time frames, by recognizing improvements in national policies and institutions (the CPIA and the BFI), of ongoing projects (the PPI), and in producing global environmental benefits. The increases in the GBI will naturally be more long term, so the shorter term window for improving scores is through the GPI.

The Relative Weight of Performance in Various Allocation Formulas

The effects of incentive weights are often not easy to understand because of the complexity of the allocation formulas used by multilateral development banks and funds. Most organizations, including the GEF, use a complex formula that contains several variables, each raised to a particular exponent.[21] The weighted scores on the variables are multiplied together to give a country score; resources are then generally 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. In general, however, a larger exponent indicates a greater weight to that variable.

The Reasons for Different Weights in Allocation Formulas

IDA was the first of the international financial institutions and funds to adopt a formal PBA system with a rules-based allocation formula. Its use dates back to 1977, although during its first decades, it was confidential with access restricted to management. Toward the end of the 1990s, the IDA Board became increasingly interested in two things: (1) the importance of the recipient country's policy and institutional context in determining whether aid would be effective, and (2) the importance of providing positive incentives when providing aid. From 1999 to 2007, all of the international financial institutions and funds adopted the concept of a PBA system for concessionary funds, generally during replenishment negotiations. The designers of the new systems had several objectives in mind, including providing a strong incentive for improved performance, avoiding radical shifts in traditional levels of allocations, harmonizing approaches with other international financial institutions and funds, and expressing 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 formulas alongside some basic similarities. All the formulas contain at least one "needs/potential" variable—in many cases, population or per capita GNI are used as surrogates for needs and potential.[22] The exponents on population vary from about 0.6 to 1.0; smaller exponents on population are more advantageous to smaller countries. The GEF's choice of 0.8 for its needs and potential variable (GBI) puts it squarely in the middle of this customary range.

The Weight Given to Performance

As noted above, it is not easy to tell from a formula how much weight is given to performance because it requires complex calculations of elasticities. Some organizations, including IDA, IFAD, and the regional banks, have generally sought to have about 60 percent of the variance in country allocations determined by performance variables in their formula.[23] The exponents on variables in the GEF RAF formula are approximately in balance with this idea. Performance is more heavily weighted than needs and potential, but not by much.

With simulations of different weights of the GPI, the RAF formula produces very different incentive effects in the two focal areas. In biodiversity, there are modest but clear incentives; in climate change, there are not (see tables in Statistical Annex #1, "Simulations").

Biodiversity

In biodiversity, the incentives are positive.

- **Scenario A: Increasing the weight of the GBI.** Biodiversity allocations are heavily concentrated in the top quintile and only modestly responsive to increases in the weight of the GBI in the allocation formula. It makes little difference to the bottom three quintiles, essentially because many countries in the bottom quintiles have fixed allocations at a minimum indicative $1 million.
- **Scenario B: Increasing the weight of the GPI.** In the biodiversity focal area, allocations are considerably less concentrated in the upper quintiles of performance than is the case with climate change. In biodiversity, the resource concentration ratios are in the range of 2.7 to 10.7; in climate change, they are in the range of about 10.6 to 18.1. Modest changes in the weight of the GPI make only a small difference to allocations. Larger changes to the weight of performance do accumulate to substantial differences.

Climate Change

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

- **Scenario A: Increasing the weight of the GBI.** In climate change, the RAF formula results in a high concentration of allocated monies in the top quintile of member countries (the top quintile by GBI has 76 percent of total climate change funds). The bottom quintile was allocated only 3 percent. The resource concentration coefficient is 23.5 to 1.0.[24] When increasing the GBI weight, nothing much happens. Climate change resources are already highly concentrated in the top fifth of countries.
- **Scenario B: Increasing the weight of the GPI.** The resource allocations for climate change are not very sensitive to changes in country performance unless the weight of the GPI in the allocation formula is greatly increased. The pattern of allocations is not particularly affected if the weight of the GPI is increased modestly by 10 percent seven times; the top quintile of countries by performance increases its share from 44 percent to 48 percent, and the resource concentration ratio rises from 11.2 to 13.2.

In summary, incentives in the climate change area need improvement. Although the format of the allocation formula for the GBI and the GPI is the same for climate change and biodiversity, the incentives provided to countries in each focal area differ in some respects. In climate change—where the greatest scope for incentives might have been expected 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

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

There are arguments for and against a high weight for the PPI. Some believe that the 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 it is unwise to give much weight to the 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 performing well and one performing poorly. If the country closes its poorly performing project early, its portfolio now contains only the well-performing project and its PPI score could double. Scores thus can be unstable.

On the other hand, another problem with the PPI is that scores can be too stable. When taking a very long-term view (as the GEF does with its 10-year perspective on portfolio performance), 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 its PPI.

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

The GBI Variable

The formulas used by PBA systems have two components. The first measures needs and potential; this shows the scale of the problem to address. Countries that have a large population of 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 (for example, GNP per capita). It can include other variables as well. For example, CDB uses a measure of vulnerability to natural disasters and external economic shocks; and the European Commission uses five variables to indicate the scale of needs and potential, including population, per capita GNP, vulnerability, indebtedness, and rating on the Human Development Index.

In its biodiversity focal area, the GEF measures needs and potential benefits with a combination of terrestrial data (represented and threatened species) and marine data (represented species). In its climate change area, the GEF measures needs and potential benefits using data on GHG emissions.[25] The variables in the allocation formula are measured on different scales. Some (the GPI) are on a scale of 1 to 6; others are on much broader scales—the GBI_{CC} ranges from 1 to millions. This has no effect on allocation outcomes as long as scoring is true to scale, because it is relative scores rather than absolute scores that determine allocations among countries.

It is sometimes argued that the scale variable also indicates the most cost-effective opportunities for intervention, but this argument confuses two ideas. First, there are often diminishing returns in any given set of potential investments. A government faces a set of opportunities for carbon emission abatement, for example, and is well advised to pursue those opportunities first that produce the greatest value for the 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, for instance, will be.

Ideally, the scale variable should have a single weight. Best practice in this regard is the simple arithmetic weights used by IDB.[26] 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 total 100 percent. In the biodiversity focal area, this works well. In the climate change focal area, the scale factor (GHG emissions) is multiplied by a performance factor (change in the carbon intensity of the economy) before a weight is applied, making it difficult to grasp just how much weight overall is being applied to the scale factor and how much to the performance factor.

Summary of Findings on Performance Weights

Delphi experts on performance were not confident about the impact of the **CEPIA** and the **BFI** in providing an incentive to countries to improve their performance in the future (average 4.6 for the CEPIA and 4.0 for the BFI, with 10 being "to a large extent"). In their comments, participants cited the relatively modest level of GEF funding as one reason why the performance impact may not be great. They 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 **ICR** project evaluation performance scores provide a strong incentive to improve performance in the future (average response of 4.9 for PIRs and 4.2 for ICRs, on a scale of 1–10). GEF OFPs noted that ratings for regional projects would not be taken into account, which is of concern to those countries that have mainly benefited from regional GEF funds.

4.5 Synergies and Interrelationships

This section addresses the key question of how the RAF provides opportunities for synergies between climate change 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 agents. Synergies were assessed both in terms of the RAF's index design and RAF implementation.

There is no positive assessment of synergies before the RAF. To date, the GEF has pursued synergies primarily through Operational Program 12: Integrated Ecosystem Management, which is intended to be multifocal and synergistic, meaning that achievement of benefits in one focal area would lead to increased benefits in another.[27] A review of this operational program 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, noting that "GEF project documents do not reveal evidence of a systematic approach to incorporating these [linkages] explicitly in project design" (GEF STAP 2004b).

Synergies can be particularly important for smaller states. The 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 State (GEF STAP 2007b).

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 fields. Areas important for synergies, such as adaptation, carbon sequestration, Clean Development Mechanism initiatives, and biomass are not covered in the RAF design. However, it is not apparent how these aspects might be reflected in the indexes. 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 GEF-4 focal area strategies, which do not explicitly aim for links or synergies. In the GEF-4 climate change focal area strategy, the only mention of links is Strategic Program 6: Management of Land Use, Land-Use Change and Forestry as a Means to Protect Carbon Stocks and Reduce GHG Emissions.[28] The GEF-4 biodiversity focal area strategy does not mention links and synergies per se, but these may occur in new strategic programs of sustainable forest management or a strategy for land use, land use change, and forestry 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 in multifocal approaches (see Technical Paper #4, "Implementation of the RAF," section 4.2). In part, multifocal projects are now established to overcome rigid walls between limited focal area funding under the 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 Ninth Meeting of the CBD COP, 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 1 project (of 50), in international waters, that would develop novel forms of intervention and linkages to deliver global environmental benefits (GEF STAP 2007a).

The GEF emphasizes 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. **The RAF design does not take the actions of governments and other donors on global environmental benefits into account.** Obviously, improvement in the RAF indexes would stem from support and actions taken by a number of stakeholders, but this is not possible to capture in an index.

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. 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 the 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.

Conceptually, it might be possible to promote synergies between RAF index design and project design. There is now no clear relationship between the information used to construct the GBI and the expected benefits of specific proposed projects in the focal area. Various stakeholders when interviewed during the midterm review noted that allocations do not seem to translate into projects for which the money was originally allocated. This situation is not helped by the fact that the underlying indicator data have not been disclosed. Other PBA systems use their assessments for dialogue with select countries on relative weaknesses for attention in policy and programming. The lack of policy dialogue and of knowledge of GEF indicator data together 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 have not been disclosed, so it is not possible for countries and Agencies to develop projects consistent with the threat or representation for which the country obtained its allocation. (See Technical Paper #2, "Design of the RAF," annex A, on relative ranking of the top 25 countries per biodiversity RAF indicator.) Simply put, 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, but most Delphi climate change experts (62 percent) thought that the RAF should provide more opportunities for interactions between climate change and biodiversity work within a context of sustainable development.

Delphi biodiversity participants were neutral regarding whether the information contained in a country's GBI_{BIO} is relevant for guiding the selection of biodiversity projects (average of 4.7 on a scale of 1–10). Experts did not agree on the extent to which 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 may give them more leverage to negotiate, but if allocations are seen as entitlements, proponents may take less care in selecting and preparing proposals. The effect of crowding out NGO and civil society proposals due to caps on funding is also a concern.

Notes

1. For the exact language describing the index as approved, see GEF (2005c). For ease of understanding, this chapter attempts to describe the index in simple, nontechnical terms.

2. See UNCBD (2006), Decision BS-III/14.

3. Megadiverse countries harbor the majority of the Earth's species and are therefore considered extremely biodiverse. The World Conservation Monitoring Centre, a UNEP agency, has identified 17 megadiverse countries, most of which are located in the tropics. A biodiversity hotspot must contain at least 1,500 species of vascular plants as endemics, and it has to have lost at least 70 percent of its original habitat. Around the world, at least 25 areas qualify under this definition; 9 others are possible candidates.

4. Other scenarios were also simulated: keeping year 2000 for noncarbon but considering two years after and before 2000 for carbon dioxide.

5. The Delphi panel had an average response of 6.6 for "group countries that should qualify for individual funding" and of 5.1 for "individual countries that should qualify for group allocation."

6. Some of these countries have since graduated from GEF support, and three in the climate change area are restricted to the group allocation for historical and other reasons.

7. The indicator source is from the policies for social inclusion/equity cluster in the IDA CPIA.

8. Several of these countries have since graduated from GEF assistance.

9. Vogt (1993). In statistics, for example, weights are commonly applied to various subgroups of a sample to ensure that the resulting analysis reflects the relative proportions of these subgroups in the population at large.

10. 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 (LDC Fund, Special Climate Change Fund). These existed before the RAF was developed and are not set-asides, even though they function as such because they have to be accessed and managed separately.

11. This was mentioned, for example, in GEF subregional workshops.

12. Approval was given at that time to the FSP Rapid Assessment of Chemical Contamination of the Wenchuan Earthquake in Sichuan Province (GEF ID 3702) and the MSP China Biodiversity Partnership Framework: Emergency Biodiversity Conservation Measures for the Recovery and Reconstruction of Wenchuan Earthquake Hit Regions in Sichuan Province (GEF ID 3706).

13. Some other international financial institutions 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. ADB puts aside $50 million 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.

14. 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 midpoint reallocations but would remain an individual allocation. Any country designated as category 1 for the first half of GEF-4 remains in that group for the whole of GEF-4.

15. In GEF-4, about two-thirds of all countries were in category 2: 62 percent of the countries in the biodiversity focal area, and 71 percent of the countries in climate change.

16. 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 categories 1 and 2 are not made public.

17. Specifically, it requires two incompatible calculations (GEF 2005c). First, in paragraphs 9 to 15, it says that exclusions (essentially the 10 percent 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. The remaining 90 percent of funds (the adjusted allocation) is then split 75/25, meaning that category 2 receives 25 percent of 90 per-

cent, or 22.5 percent of total funds in each focal area. However, paragraph 16 says that the group adjusted allocation (22.5 percent as noted above), exclusions (10 percent), and targeted supplements (the difference between the total unadjusted allocation for all countries under $1 million and the total adjusted allocation for these countries—or $1 million each, or $41.3 million in GEF-4) cannot together exceed 25 percent of total funds in the given focal area. Clearly, something must give. If category 2 countries bear the full weight of exclusions as well as of targeted supplements, their share drops from 22.5 percent to around 15 percent. In fact, the 75 percent is applied to the full focal area amount, not to the 90 percent going to countries.

18. The RAF Delphi panel was not asked a separate question as to the appropriateness of ceilings on the maximum size of a single country allocation.

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

20. See GEF (2003a) for the GEF Council's definition of performance.

21. One exception is IDB, which has a relatively simple allocation formula. It allocates 60 percent of its concessionary funds (Fund for Special Operations) 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. Other pots of concessionary funds are allocated separately, each according to its own relevant variables.

22. It is interesting to note the use of log population by two organizations (IFAD and the European Commission). The effect is to make a nonlinear (exponential) distribution of country sizes closer to linear—useful when an organization has many small country members including one or two relatively very large members. 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 log GBI in the same way and for the same purpose.

23. The amount of weight given to the performance variable changes frequently even within a single organization. For example, the traditional IDA allocation formula had an exponent of 2.0 for the performance variable, which is the most common exponent for this variable. Recently, however, IDA added a separate governance variable—thus double counting part of the CPIA—which it shortly thereafter dropped, in favor of splitting the CPIA performance variable in two and raising the exponent on the performance variable to 5.0. These changes reportedly did not have a significant effect on allocations as the weights were selected to keep allocations in line with what they would have been under the old formula. Regardless, the sensitivity of IDA allocations to changes in performance in the future has been substantially increased. The GEF RAF, with an exponent of 1.0 for its performance variable, is presumably less sensitive to changes in performance than the IDA system.

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

25. The GEF confuses the issue somewhat by including a performance variable—change in carbon intensity of the economy—in its benefits index rather than its performance index.

26. Even in the IDB case, there are complexities, however. There are in fact two scale variables in the IDB formula for allocating the IDB Fund for Special Operations: 22.0 percent of the fund is allocated by share of population alone, and 13.3 percent is allocated by relative levels of per capita GNP alone. These percentage weights are arbitrary, as all judgmental weights ultimately are; in addition, they lack a visible link to priorities and reasonableness.

27. Integration and synergies have also been attempted at the institutional level with the creation of the GEF Natural Resources Management Team, which focuses on biodiversity, international waters, and land degradation.

28. Land use, land use change, and forestry is not yet reflected in the indexes.

5. Allocations and Utilization

This chapter presents an overview of RAF allocations and analyzes to which countries funds were allocated and reallocated at midpoint, and how these allocations compare to historical GEF support. It also addresses how resources are utilized and how the GEF portfolio is evolving. For more information, see Technical Paper #3, "RAF Allocations and Utilization," and Statistical Annex #2, "Portfolio Analysis and Historical Allocations."

5.1 Country Allocations

In **biodiversity**, the initial allocation provided 57 countries with individual allocations totaling 75.3 percent of focal area funds ($753.2 million).[1] This was part of the RAF negotiation; 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 $63.2 million; Afghanistan has the lowest individual allocation, with $3.5 million. Of the 150 eligible countries, the 93 without indicative allocations receive a group allocation of $146.8 million.

In **climate change**, 115 of the 161 eligible countries share $148.6 million in the group allocation. Of the 46 remaining indicative countries, China is the top allocated, receiving the ceiling of 15 percent of climate change resources ($150 million); Uganda receives the lowest individual allocation of $3.09 million. Table 5.1 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).

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 shown in figure 5.1, plotting individual country

Table 5.1

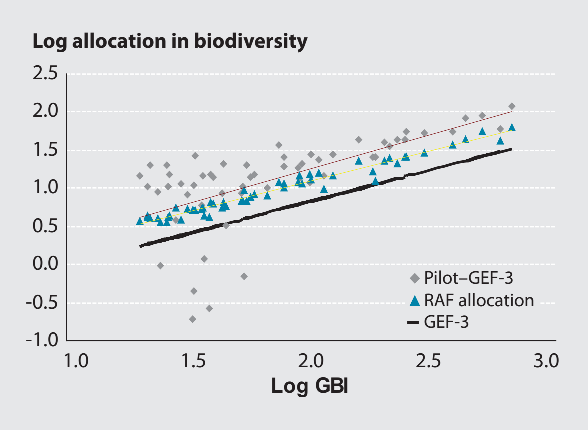
Comparison of Historical and RAF Allocations

	Allocations for biodiversity				Allocations for climate change			
	RAF		Pilot phase–GEF-3		RAF		Pilot phase–GEF-3	
Allocation type	Number of countries	Million $ (% of total)	Number of countries	Million $ (% of total)	Number of countries	Million $ (% of total)	Number of countries	Million $ (% of total)
Individual	57	753 (84%)	57	1,347 (74%)	46	751 (83%)	45	1,557 (82%)
Group	93	147 (16%)	90	481 (26%)	115	149 (17%)	98	331 (18%)
Total	**150**	**900**	**147**	**1,828**	**161**	**900**	**143**	**1,888**

Note: Assumes adjusted allocations.

Figure 5.1

Logarithm Match with Historical Allocation



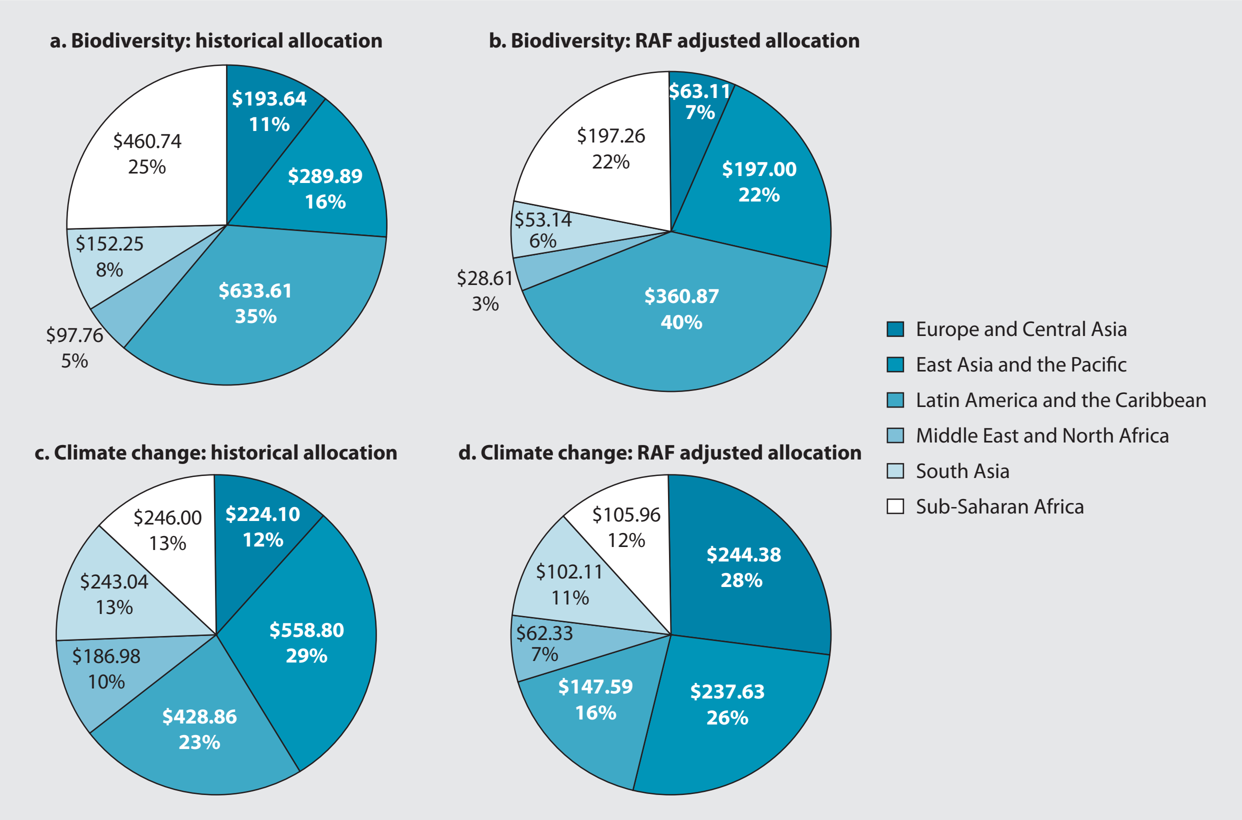
allocations in a logarithm yields close to parallel trend lines between RAF, GEF-3, and historical allocations. (Since the group allocation does not provide funds in proportion to each country score, trend patterns cannot be analyzed by country in the same way.)

Allocations by Region and Constituency

While the overall trend pattern matches 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 Central Asia and to individual biodiversity allocations in Latin America, as shown in figure 5.2. Europe and Central Asia has gained in relative share of climate change funds (from 12 to 28 percent), while Latin America and the Carib-

Figure 5.2

Regional Shares of Resources: Historical and RAF Adjusted Allocations



Note: Dollars are in millions. Biodiversity allocations apply to 150 eligible countries, climate change to 161eligible countries.

bean has decreased its share in climate change (from 23 to 16 percent) but gained in biodiversity (from 35 to 40 percent).

- **Individual allocation countries.** There is some match between the share of resources historically and the RAF regionally and by GEF constituency. Among the countries with individual allocations, the increase in climate change in Europe is offset by a decrease in shares for Latin America and the Caribbean, Asia, and the Middle East and North Africa. 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 Technical Paper #3, "RAF Allocations and Utilization," table 2).
- **Group allocation countries.** Although the group allocation countries are pooled together, they each had a score and allocation that 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 5.2 shows two RAF scenarios: the first (column 1) is the RAF adjusted allocation (what these countries accumulate before they are placed in the group); in the second (column 2), each receives $1 million each, a lower total amount. The likely utilization will of course differ from these scenarios; actual utilization in terms of approvals until GEF-4 midpoint (last two columns) is currently too low to provide a useful estimate.

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 pattern of GEF resources. New country "groups" are emerging with the introduction of the RAF, with a diverse mix of categories. This mix influences regional cooperation and means that regions require diversified support. The different RAF allocation types are as follows.

Table 5.2

Comparison of Historical, Adjusted, and Unadjusted Group Allocations under the RAF
million $

Constituency/region	Group allocation for biodiversity (93 countries)			Group allocation for climate change (115 countries)			GEF-4 utilization[a]	
	Historical	RAF adjusted	$1 million/ country	Historical	RAF adjusted	$1 million/ country	BD (93)	CC (115)
Europe and CIS	108.51	26.21	23.00	48.06	21.61	15.00	14.20	0.99
Asia	65.75	16.83	8.00	43.98	12.94	10.00	2.04	0.00
West and Central Africa	132.73	35.27	21.00	76.25	31.48	25.00	4.60	0.00
East and Southern Africa	41.80	11.32	8.00	55.52	20.42	15.00	1.54	1.01
Caribbean	38.89	21.30	12.00	12.56	17.31	15.00	5.47	0.10
Pacific SIDS	6.26	20.63	12.00	6.12	14.00	14.00	6.26	1.08
Latin America	38.27	6.52	3.00	43.58	14.83	9.00	2.41	1.84
Middle East & North Africa	48.89	8.71	6.00	44.92	16.02	12.00	2.71	1.10
Total	**481.10**	**146.80**	**93.00**	**331.00**	**148.62**	**115.00**	**39.21**	**6.11**

Notes: BD = biodiversity; CC = climate change; CIS = Commonwealth of Independent States. Historical allocations include aggregate resources from 1990 to 2006 (16 years). RAF allocations include assumed funds for 2006–10 (4 years).

a. Actual utilization as of July 3, 2008.

- **Countries with individual allocations in both focal areas.** These are "the big recipients" (31 countries, or 19 percent of 161) and the most diverse group regionally. These countries are found in Africa (22 percent), Latin America and the Caribbean (29 percent), Asia (26 percent), and the Middle East and North Africa and Europe (26 percent for the two regions combined). However, their level of resources varies considerably, with 14 biodiversity countries and 16 climate change countries with allocations between $3 and 10 million, and 5 countries with more than $50 million. These countries account for $549.7 million in biodiversity (61 percent of the $900 million allocated to individual countries) and $608.9 million (68 percent of $900 million) in climate change. Their historical shares are 54 percent of biodiversity and 73 percent of climate change resources.
- **Biodiversity countries.** These have individual allocations in biodiversity and a group allocation in climate change (26 countries, or 16 percent of 161). They are just about evenly distributed between Africa (11) and Latin America (10). This category of countries also has the proportionately highest representation of SIDS (7 of 26). Together, these countries account for $195.6 million (22 percent of the $900 million allocated to countries) of GEF-4 biodiversity country funds, compared to 20 percent of biodiversity (and 6 percent of climate change) historical resources.
- **Climate change countries.** These have individual allocations in climate change and a group allocation in biodiversity (15 countries, 9 percent). This group is dominated by countries in Europe and the Commonwealth of Independent States (10). These countries account for $142.5 million (16 percent of $900 million) in climate change, compared to 9 percent over past replenishment phases.
- **Group allocation countries in both focal areas.** This is the largest category by far (78 countries or 48 percent of all eligible countries). Of these, 30 (39 percent) are from Sub-Saharan Africa, and 30 countries (with 4 overlapping with Africa) are SIDS. Another 12 are from Eastern Europe. Three countries in Latin America (El Salvador, Paraguay, and Uruguay), four in Asia (Bhutan, Myanmar, Nepal, the Republic of Korea), and five from the Middle East and North Africa (Jordan, Lebanon, Libya, Tunisia, and the Republic of Yemen) are part of the group allocation. Historically, they accessed $326.2 million in climate change (share of 17 percent) and $485.9 million (share of 27 percent) in biodiversity.
- **Countries with only climate change group allocation.** This group, which receives no biodiversity allocation at all, consists of 11 countries; most of which are new to the GEF, and several of which are Arab states: Bahrain, Cyprus, Israel, Kuwait, Malta, Oman, Qatar, San Marino, Saudi Arabia, Singapore, and the United Arab Emirates.

Allocations for Special Categories of Countries

The regional distribution conceals specific needs and country circumstances. **The majority of countries in special circumstances—LDCs, crisis or post-conflict countries, small states—form part of the group allocation.**[2] In climate change, 97 percent of the 35 SIDS receive the group allocation; 88 percent of 48 LDCs are group allocation countries. The other country categories—87 percent of fragile states, 88 percent of heavily indebted poor countries, and 75 percent of landlocked countries—fall into the group allocation in both focal areas (see table 1.3 in chapter 1 and Technical Paper #3, "RAF Allocations and Utilization," section 1.3).

In biodiversity, more countries in special circumstances receive individual allocations, but the majority of countries are still part of the group allocation (74 percent of SIDS; 60 percent of LDCs, heavily indebted poor countries, and landlocked countries; and 73 percent of fragile states). Supporting data and definitions are available in Statistical Annex #4, "Country Classification and RAF Allocations."

The majority of RAF funding goes to countries categorized as either low income or lower middle income.[3] Of 161 countries, 32 percent (51) are low income and 33 percent (53) are lower middle income, assuming that the 75 group allocation countries (of 107) in these two categories obtain $1 million (see table 5.3). High-income countries have a per capita GNI of $11,456 or more, with Singapore at the top of GEF-eligible countries with $29,320 (as of 2006). However, all of the 16 high-income countries receive group allocations only.[4] The relatively largest share of funds goes to upper middle-income countries: in biodiversity, 38 percent of funds go to upper middle-income countries, which is 23 percent of all countries; in climate change, 34 percent of funds go to 25 percent of countries. Low-income countries receive 23 percent of biodiversity funds and 25 percent of climate change funds to countries (LDCs receive 17 percent and 9 percent), assuming they access the equivalent of their adjusted allocation.

Historic Use of GEF Resources

There are three ways of comparing historical with current allocations: (1) relative rankings, (2) shares of total allocations, and (3) actual amounts.[5]

Comparative Ranking

The RAF approximates the relative ranking of countries of GEF historical allocations; this is particularly true for biodiversity and for the top- and lower ranked countries. When comparing historical utilization to current RAF allocations, several patterns emerge.

There is a relatively good match in the rankings from the RAF allocation and historical utilization. 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 3 of the top 20 in the RAF biodiversity allocation ranking were also in the top 20 historically, and 12 of 20 countries in climate change are the same. (See table 5.4.)

Table 5.3

Allocations under the RAF by Country Income Category

	Biodiversity				Climate change			
	Number of countries				Number of countries			
Income category	Total	Individual allocation	Group allocation	Allocation (million $)	Total	Individual allocation	Group allocation	Allocation (million $)
Upper middle income	36	14	22	304.78	37	17	20	339.24
Lower middle income	53	23	30	359.85	53	16	37	335.91
Low income	51	20	31	221.65	51	13	38	203.77
High income: OECD	1	0	1	2.89	1	0	1	1.00
High income: non-OECD	5	0	5	6.82	15	0	15	16.07
Not classified	4	0	4	4.00	4	0	4	4.00
Total	**150**	**57**	**93**	**900.0**	**161**	**46**	**115**	**900.00**

Note: Assumes RAF adjusted allocation for group allocation countries.

Table 5.4

Top 10 Recipients of GEF Assistance under the RAF and Historically

	Biodiversity				Climate change			
	RAF		Historical		RAF		Historical	
Rank	Ranking	Allocation (million $)	Ranking	Allocation (million $)	Ranking	Allocation (million $)	Ranking	Allocation (million $)
1	Brazil	63.2	Brazil	121.69	China	150.0	China	336.58
2	Mexico	54.6	Mexico	91.68	India	74.9	India	185.52
3	China	44.3	China	83.22	Russia	72.5	Brazil	134.38
4	Indonesia	41.4	Indonesia	59.12	Brazil	38.1	Mexico	132.22
5	Colombia	36.6	Russia	56.51	Poland	38.1	Egypt, Arab Rep. of	69.08
6	India	29.6	Colombia	54.75	Mexico	28.3	Philippines	68.28
7	Russia	25.3	India	52.96	South Africa	23.9	Morocco	57.53
8	Peru	25.3	Philippines	43.66	Ukraine	18.9	Poland	54.39
9	Madagascar	24.2	South Africa	43.20	Turkey	17.5	Indonesia	48.91
10	Ecuador	23.2	Peru	42.76	Iran, Islam Rep. of	16.5	Vietnam	35.39

Note: Historical allocations include aggregate resources from 1990 to 2006 (16 years). RAF allocations include assumed funds for 2006–10 (4 years).

In climate change, 5 of the top 10 recipients are new. In biodiversity, only 2 of the top 10 countries are new. There is also a general match between the group allocation countries and countries with historically low allocations. For countries whose ranking is in between—a medium-level individual allocation—there is general correspondence in relative ranking, but also movement up or down for several countries.

Comparative Shares

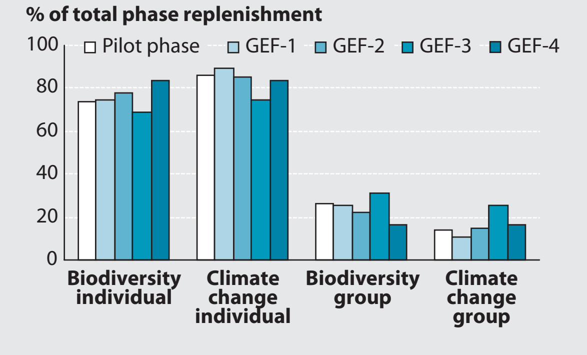
Because the value of nominal U.S. dollar amounts has decreased over time, comparison by share of resources in a period yields a more accurate measure. The top 3 countries of 150 biodiversity countries account for almost 16 percent of the total past allocation; they now account for 18 percent of $900 million in biodiversity. In biodiversity, the **shares per country reflect past shares of focal area utilization relatively well**. Brazil, with 7.0 percent of RAF biodiversity funds, had a 6.8 percent share in the past; and Mexico, with 6.0 percent, had 5.1 percent 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 percent of focal area funds.

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

Figure 5.3 shows the share of resource use for individual and group allocation countries by replenishment period. The overall pattern is relatively consistent in share, ranging between 70 and 85 percent for the individual allocation countries. In GEF-3, more countries accessed resources than in the past, so the difference seems more marked when compared to GEF-4.

Figure 5.3

Shares of Resource Utilization by Individual and Group Allocation Countries by Replenishment Period



Comparative Amounts

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 RAF allocations influences how countries have been able to address the transition to the RAF. Historical allocations are available in Statistical Annex #2, "Portfolio Analysis and Historical Allocations." Key trends in biodiversity and climate change follow.

- **Most countries have gained in resources available under the RAF, especially in climate change, compared to their historical average four-year replenishment allocation.** In biodiversity, 39 percent of countries have seen some gain, and in climate change 81 percent, including countries with no historical allocation. A few countries have doubled their past allocation or increased it by more than 1,000 percent (about 36 climate change recipients and 25 countries in biodiversity).

- **The main large recipients historically continue to benefit from high RAF individual allocations, and many have experienced increases.** Among the countries that have gained compared to their past allocations are some of the largest recipients under the RAF. In climate change, the $150 million amount for China for four years is larger than its $21 million annual average historical allocation. In biodiversity, Brazil's average yearly allocation is $15.8 million under the RAF compared to $7.6 million annually over 16 years. Several countries have gained comparatively in both focal areas, including Malaysia, Russia, Thailand, and República Bolivariana de Venezuela.

- **Countries that received little in the past may gain under the RAF, even if they now only receive group allocations.** The bottom 25 percent of countries in biodiversity accessed an average of $0.98 million over 16 years. In GEF-3, 51 countries (30 percent of 166) did not access any GEF-3 resources for country projects in either focal area.[6] Some countries that may now benefit from group allocations never accessed any GEF resources over 16 years (3 countries in biodiversity and 19 in climate change).

- **Some mid-rank countries have seen a drop in RAF resources in their focal area compared to historical support.** This is true for about 32 countries in biodiversity and 30 countries in climate change. Most of these have become group allocation countries. For example, Ghana had more than $6 million in biodiversity and $4 million in climate change each replenishment period, and is now part of the group allocation in each focal area. Among individual allocation countries, three in biodiversity and nine in climate change have seen a relative reduction in support (such as the Arab Republic of Egypt).

- **Some countries have experienced a switch in resource availability between the two focal areas.** Cambodia, for example, with an average of $1.7 million in each past replenishment period, gained an individual allocation of $3.3 million in climate change, but dropped from a $2.7 million average to a group allocation in biodiversity. Bangladesh, Pakistan, the Slovak Republic, and Ukraine saw similar increases in climate change and drops in biodiversity; Cuba, Kenya, Mexico, Morocco, Peru, the Philippines, and South Africa received more funds in biodiversity and saw drops in their climate change funding.

Country allocations mean that the recipient countries receive less resources from global and regional GEF funding, which is a significant shift for those countries that have in the past depended more on such resources than on funding for country-specific projects. The above trends underestimate the RAF changes in such countries. (See chapter 6 and Technical Paper #4, "Implementation of the RAF," section 4.2.)

Reallocation

As agreed when the RAF was approved, a recalculation of indexes was undertaken at the midpoint of GEF-4, and a reallocation of funds published in August 2008 (GEF 2008f). The reallocation reflected changes in eligibility with new countries in both focal areas (Serbia and Montenegro, Timor-Leste). Six countries became ineligible in climate change and biodiversity (Estonia, Hungary, Latvia, Lithuania, Poland, and Slovenia).[7]

One country in biodiversity—Suriname—was lifted to indicative allocations from the group allocation, as were four countries in climate change: Croatia, Serbia, Tunisia, and Turkmenistan. The overall increase in programmable resources also led to an increase in amounts for both individual and group allocation countries. Eighty-four countries each in biodiversity and climate change saw an increase in their allocation from the initial RAF amount, while 32 countries in biodiversity and 66 in climate change experienced no change in funding. Relative decreases in funding were experienced by 28 biodiversity countries and 5 climate change countries (see Technical Paper #3, "RAF Allocations and Utilization").

5.2 Portfolio Overview

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

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: resource utilization, Agency composition and involvement, and project modalities and the nature of projects.

By midpoint in the GEF-4 replenishment period, the GEF had allocated a total of $1.3 billion, of which $295 million has gone to biodiversity and $280 million to climate change.[8] This corresponds to an overall resource utilization rate of 31 percent at midpoint. For non-RAF focal areas, resource utilization is considerably higher in shares and actual amounts: 81 percent for land degradation, 59 percent for international waters, and 48 percent for POPs. At midpoint in GEF-3, 42 percent of all resources had been committed for projects, compared to the RAF overall resource utilization rate of 23 percent in biodiversity and 21 percent in climate change. This masks considerable differences among countries.

Few projects have started. Under the new project cycle, utilization is defined as PIF approvals of project concepts. If utilization is defined as project document endorsement, it is at 6 percent of total GEF-4 country RAF funding. Fifteen FSPs in climate change and biodiversity totaling $103.2 million have been endorsed by the GEF CEO;[9] and were expected to begin implementation on average within four months of endorsement. Fifty MSPs totaling $43.9 million have been approved by the CEO. PIFs for another 74 FSPs have been approved; many of these were included in the April 2008 work program. Assuming a 22-month project cycle, their endorsement would be expected in February 2010, four months before the end of GEF-4. One FSP under the RAF is recorded in the Secretariat database as having started implementation by November 2008.

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

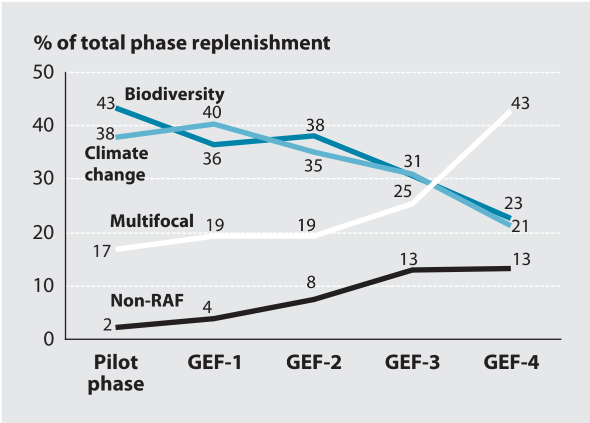
Allocation of GEF resources under the RAF has become relatively more dispersed—and, consequently, less equal, as measured by the Gini coefficient of inequality (see Statistical Annex #1, "Simulations").[10] For both focal areas, the utilization at midpoint is more unequal than both the historical utilization 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 to 0.60 (from 0.45) for individual allocation countries. Utilization of climate change resources to midpoint indicates that the Gini coefficient is 0.76 for individual allocation countries. This makes the RAF, as of its utilization at midpoint, more unequal in its distribution of resources than any country in the world as measured by the Gini coefficient.

A number of factors, including several GEF reforms, play a role in access to resources. Approvals in the first half of replenishment periods are generally slower than in the second half. However, utilization in the RAF focal areas is slower at midpoint than in the past. At GEF-3 midterm, 37 percent of total biodiversity resources, and 44 percent of climate change resources, had been approved. By October 2008, the GEF Secretariat reported that the overall ratio of utilization in GEF-4 was 37 percent in biodiversity and 36 percent in climate change (GEF 2008l).

At GEF-4 midpoint, there has been a significant increase in utilization in non-RAF focal areas (43 percent of midterm GEF-4 resources) relative to both biodiversity and climate change. Resource utilization in the two RAF focal areas is lagging compared to both historical practice and to other focal areas under GEF-4, which have been subject to the same reforms. As shown in figure 5.4, countries and Agencies seem to have shifted their attention to non-RAF areas.

Figure 5.4

Shares of Historic and GEF-4 Resource Utilization by Focal Area



The main problems in access to funds are found in Sub-Saharan African countries. A total of 130 countries (of 161) have a group allocation of some kind. At midpoint, average utilization across the biodiversity group allocation countries was $317,000, and the average climate change group allocation utilization was $62,000. When taking into account other concurrent factors, it was confirmed that being assigned to the group category is associated with the largest difference in resource utilization. Key drivers in resource utilization are (1) being a country in Africa, (2) being an IDA or IBRD grant recipient country, and (3) being an LDC.[11] Controlling for all contextual factors, the following associations are noted, in order of magnitude:

- The utilization in biodiversity by IBRD countries is 50 percent as compared with 18 percent for non-IBRD countries. The utilization by LDCs is just 8 percent as compared with non-LDCs at 40 percent. By region, countries outside Africa (98) have on average utilized 39 percent of their biodiversity allocation, as compared with 52 African countries which have on average utilized 14 percent (statistically significant at 1 percent).
- For climate change, assignment to the group allocation category makes the largest (negative, 24 percent less) difference to resource utilization. When controlling for all factors, World Bank blend countries, which have access to both IBRD loans and IDA grants, show a positive correlation with resource use (35 percent more access than nonblend countries), while IBRD countries show a positive effect (20 percent more than non-IBRD).[12] 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 four phases from the pilot phase to GEF-3. Only 16 percent and 9 percent of the currently eligible countries in biodiversity and climate change, respectively, have accessed GEF funds since the pilot phase until now (see table 5.5). Only 15 countries in biodiversity and 14 in climate change experienced a fluctuation in access every other replenishment, 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 $500,000 in total historically, equivalent to an enabling activity.

Table 5.5

Number and Percentage of Countries with Resource Access across the GEF Phases

	Biodiversity		Climate change	
Access	**Number**	**%**	**Number**	**%**
1 phase only	24	16	18	11
2 phases	54	36	68	42
3 phases	44	29	41	46
Pilot–GEF-3	24	16	14	9
Total	**150**		**161**	

The number of countries that did not access funds in GEF-3 is 61 in biodiversity and 52 in climate change. Only 21 countries did not access GEF-3 funds in either focal area; 7 of these are SIDS. The number of countries involved with the GEF has grown over time. In GEF-3, more than 100 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, "RAF Allocations and Utilization," tables 10 and 11.)

Agency Distribution

The portfolio distribution among GEF Agencies has shifted significantly under the RAF.

The World Bank, historically the largest Agency in terms of GEF resources under implementation, has dropped from more than half of GEF utilization in biodiversity and climate change in past periods to 32 percent of RAF resource utilization. UNDP now accounts for 43 percent of resource utilization, up from 32 percent in GEF-3. The role of the seven Executing Agencies has increased; these currently account for 17 percent of RAF utilization, compared to about 8 percent in GEF-3 including indirect access, or 2 percent of all historical resources. UNEP's share remains more or less the same (7 percent) for the RAF focal areas. Joint projects seem to have disappeared.[13] (See figure 1.2 in chapter 1 and Technical Paper #3, "RAF Allocations and Utilization.")

There are slight differences in modalities across Agencies. UNDP accounts for $201 million for 49 FSPs (average size: $4 million). UNDP also has the most MSPs (40), and implements 8 of the 10 enabling activities approved. The World Bank has 23 FSPs ($175 million, average of $7.6 million each), mainly in climate change. With $99 million in approvals, the Executing Agencies have surpassed UNEP ($42.1 million).

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 ($178 million). The Executing Agency share in the non-RAF focal areas is very competitive. In particular, the United Nations Industrial Development Organization is active in POPs (13 projects), and IFAD in land degradation (13 projects). In the multifocal area, UNDP has accessed $114 million, as compared to $56 million by World Bank/IFC for the Earth Fund.

Project Modalities

Three interlinked trends are notable regarding modalities, namely changes in the mix of modalities, new types of projects, and changes in the average size of projects.

The main focus under the RAF is on FSPs, with a decrease in enabling activities and project preparation grants. The relative number of MSPs is growing, but the evolution is uncertain. Of total RAF resources, 91.0 percent has been allocated to FSPs, 7.0 percent to MSPs, 1.0 percent to preparation grants, and 0.5 percent to enabling activities. According to the Joint Evaluation of the GEF Activity Cycle and Modalities database, the percentage of FSPs in the past portfolio is the same, has increased slightly for MSPs (historically 3 percent), and has decreased for enabling activities (historically 4 percent) and preparation grants (previously termed PDFs[14]). With assumed likelihood of $1 million per country, MSPs are more likely for group allocation countries. Given the low resource utilization for the group allocation, the number of likely MSPs may be underestimated.

In GEF-4, the average size of FSPs has declined somewhat, dropping from $7.7 million over past replenishment periods to $5.3 million. 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 FSP 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.

Because MSPs have a standard cap of $1 million, there is little difference in MSP size between group and individual allocation countries and with the past.[15] There is a slight increase from $0.8 million to $1 million on average. A contributing factor is the policy under the RAF to finance Agency fees on top of $1 million for group countries, rather than inclusive of fees as for indicative RAF allocations.

Multifocal projects (27) have historically averaged $6 million. **In GEF-4, a total of $169 million (33 percent) for FSPs are for so-called projects with a "financial break-up" project classification.** These are projects defined by the GEF Secretariat database with the same identification number, spread over numerous countries, Agencies, and/or focal areas. The trend of break-up projects is related, in part, to the increase under the RAF to make a viable project by combining resources from different sources or funding windows in and outside of the RAF.[16]

Notes

1. This amount was the equivalent of 83.7 percent of $900 million, which excludes the set-side.

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

3. All World Bank member economies, and all other economies with populations of more than 30,000, have been categorized by the Bank into income groups according to their 2007 per capita GNI; this has been calculated using the World Bank Atlas method. The income groups are: low income, $935 or less; lower middle income, $936–$3,705; upper middle income, $3,706–$11,455; and LDC, $745. One RAF country recipient (the Republic of Korea) is designated as an OECD high-income country. Information is not available for four Pacific states receiving funding under the RAF.

4. These 16 high-income countries are Antigua and Barbuda, The Bahamas, Bahrain, Barbados, Cyprus, Estonia, Israel, Republic of Korea, Kuwait, Malta, Qatar, San Marino, Saudi Arabia, Singapore, Slovenia, Trinidad and Tobago, and the United Arab Emirates.

5. Comparison of actual amounts is not exact, as it must take into account varying replenishment sizes and durations, depreciation and inflation over time, and country resource use over different replenishment periods. The midterm review compiled the total amount provided per country for 1990–2006 (16 years) and divided this over four replenishment periods of four years each. This addresses historical support consistently for all countries but may conceal uneven activity in each replenishment period for a given country. To compare average amounts per year would entail incorporation of some amounts that would be too small to be useful.

6. The median GEF country utilized $0.7 million over four years for single country projects.

7. These were largely group allocation countries, except for Hungary, Latvia, Lithuania, and Poland, which were indicative countries in climate change.

8. All RAF amounts cited here include Agency fees; RAF data are as of July 3, 2008.

9. Under this reckoning, SGP contributions are counted as one project, program documents under programmatic approaches are not counted, and individual PIFs approved with different identification numbers are counted.

10. The Gini coefficient 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, and all others have none).

11. Other variables, such as geographical region or being a small island developing state or a landlocked country, were not found to be statistically significant.

12. Blend countries are those "that are eligible for IDA resources on the basis of per capita income but also have limited creditworthiness to borrow from IBRD" (IDA 2001b).

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

14. These numbers are not strictly comparable, since PDFs for approved past projects are included in full project budgets. Past PDFs amount to $138 million for 420 FSPs and 164 MSPs.

15. Average funding for a biodiversity MSP in the past was $0.84 million for individual countries and $0.78 million for group allocation countries. Com-

parable figures for climate change were $0.85 million and $0.81 million, respectively.

16. This also means that comparative analysis is exceedingly difficult. Projects downloaded from the GEF Project Management Information System no longer have a unique identifier (ID) as in the past; instead, many have the same number. Any of these project IDs may be a single project with different funding sources (say from the RAF and another focal area), a single project with one funding source but different Implementing Agencies, several projects under a single programmatic approach, not a real project at all (such as a country allocation contribution to the SGP), or a mix of the above. For meaningful analysis, the midterm review had to identify and aggregate these into a single project (where identifiable).

6. Implementation of the RAF

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

6.1 Institutional Roles and Relationships

The GEF is a networked organization, made up of a diverse group of partners playing a variety of roles. Responsibility for 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 change within and among the respective organizations.

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 important developments are ones that have taken place outside the realm of formal adjustments to traditional roles, typically in response to constraints and opportunities presented by RAF implementation. These include the following.

- 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's implementation—is now critically important to all GEF entities. GEF OFPs now play a more central role in pipeline planning and prioritization.
- The **GEF Secretariat** appears to have become relatively more influential than before the RAF, partially because the outcomes of project proposal reviews by the Secretariat affect country pipelines. In addition, the Secretariat directly consults with OFPs regarding prioritization of projects within pipelines. Some stakeholders feel that the Secretariat's role in GEF policy formulation has expanded as well.
- The pattern of changes among **Implementing and Executing Agencies** is mixed. Some Agencies have expanded their levels of GEF activity in the RAF context; 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.
- The roles of **other GEF entities**, such as the GEF Council, the STAP, the GEF Trustee, and the GEF Evaluation Office, have not changed significantly.

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

During the first half of GEF-4, certain developments and reforms were put into place roughly at the same time that the RAF came into full implementation. These developments include stoppage of the GEF pipeline (late 2006), revision of the GEF 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 and April 2008). These reforms reinforced the increasingly enhanced role of the GEF Secretariat, with a commensurate shift in Agency positioning.

Taken together, these changes have generally added complexity to the work of GEF entities and country partners. Some, such as the timing of approval of focal area strategies, likely would not have been hindrances to normal forward progress in the 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 survey conducted by the midterm review, 63 percent of GEF stakeholders believed that the RAF may strengthen country roles in portfolio planning, while 25 percent held this to be 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 OFPs in these countries tend to be better than in many group allocation countries, although not without constraints. It is the focal points in individual allocation countries who tend to be regularly contacted by the 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, both among other ministries and at the political level. The certainty attached to the individual country allocation helps attract stakeholders, including GEF Agencies, and often promotes a more deliberate approach to portfolio planning. For example, in Bulgaria, the RAF increased political awareness of the GEF, 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 tends to be similar regardless of whether the country has a large or small allocation, which puts a relatively greater strain on smaller countries.

GEF Secretariat

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 noted above, the influence of the Secretariat within the RAF context has evolved on an informal basis. In RAF implementation, the Secretariat has a facilitating function, but also sees its role as one of quality control and steering the project development and approval process. Performance of its other functions, such as those regarding focal areas, policies, project rejection, the project cycle, and financial requirements, are seen by the Secretariat staff—and particularly the CEO—as concerns separate from RAF implementation, even though some of these decisions have implications for RAF implementation and relationships.

The **organizational rearrangements** in the Secretariat may also influence RAF implementation. Relationships and delineation of responsibility 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 several hindrances to its effectiveness as a key institutional participant in the GEF under the RAF, including the following:

- There was considerable **turnove**r of more than half of its 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.
- The Secretariat is responsible for **multiple functions** and has 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 captured by the 2007 staff satisfaction survey of the World Bank Group.
- Field visits and **country contacts** by the Secretariat staff are minimal, impeding adequacy of communication.

Majorities among the 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 responding indicated that RAF implementation "may shift project decision-making power in favor of the GEF Secretariat."[1]

Its only formal change in roles or responsibilities has been for the GEF Secretariat to manage the RAF. In essence, this is a program support function that provides the 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 members.

GEF Agencies

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

- It has strengthened the government role in pipeline development, which has changed demand for certain types of projects and affected those Agencies traditionally working with the private sector or NGOs (such as IFC).
- It has reduced the availability of global and regional funds, and its direct steerage by the Secretariat has curtailed UNEP involvement in particular.
- 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 GEF activity in each replenishment period. Some Agen-

cies now find it difficult to develop small projects for the range of eligible countries in the short time frame involved. This puts pressure on Agency representation in such countries, which might not be as used to dealing with GEF requirements.

- The shift from historical allocations to the RAF focus and the concentration of funding in countries have disturbed Agencies' traditional pattern of engagement. 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 Agencies' in-country presence. The Agency with the most extensive country office presence is UNDP, with 142 offices in developing countries; the World Bank has about 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 (GEF 2006g) outlines the relative areas of technical and managerial strength for each of the GEF Agencies and encourages them to focus their GEF work in the areas identified. An outgrowth of this refinement has been an increase in the tendency of OFPs to "comparison shop" among Agencies for a 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 has decided to shift Agency responsibility to another Agency; this has been done, for example, for at least four Pacific countries and in the Democratic Republic of Congo. This practice creates disincentives for Agencies to put effort into project proposals.

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

- **Added complexity.** This complexity takes various forms, and entails 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 back away from dealing with the added GEF complexities, making 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 the value of the U.S. dollar all contribute to increased financial strains in doing GEF Agency business.
- **Additional functional demands.** GEF Agencies have had to take on additional responsibilities, such as including monitoring and evaluation plans with projects, expanded fiduciary responsibilities, and the need to be prepared for audits and other forms of administrative scrutiny.
- **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 bearer of "bad news."

The instructions from the GEF CEO to the 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.

NGOs, the Private Sector, and Civil Society

The RAF has, in general, negatively affected the roles of the private sector, civil society, and the NGO community.

NGOs

There are a few excellent examples of government-NGO cooperation on GEF programming, such as in Honduras, Madagascar, and Uganda. However, in the majority of countries, the involvement of the NGO community has declined or at least not improved. There was no involvement of or consultation with 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 several ways:

- NGOs have had 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. In interviews, the focal points often did not indicate that they had consulted with NGOs. However, in countries where priority setting was undertaken through stakeholder workshops, NGOs did participate.
- Previously, much NGO consultation happened at the **project design** level. As priority setting has moved up to the portfolio level, the engagement of NGOs has diminished. The reduction of the extensive project preparation facility also tends to curtail preproject outreach.
- There has been a reduction in NGO **project execution**. NGOs used to execute 1.9 percent of FSPs and 28.6 percent of MSPs, according to the Joint Evaluation of the GEF Activity Cycle and Modalities database. Under the RAF, 20 projects (all but 1 in biodiversity) are classified as having an NGO as the executing agency, including 3 enabling activities, 7 MSPs, and 10 FSPs.[2] With a total budget of $63.2 million, this is 11 percent of all funds for FSPs, MSPs, grants, and enabling activities.[3] Of 14 country MSP and FSPs, 11 are in individual allocation countries.
- Funding for the **SGP**, which is a key vehicle for access to GEF funding by community-based organizations, has changed.

Private Sector and Civil Society

Historically, the private sector executed 1.2 percent of FSPs and 4.0 percent of MSPs, again according to the Joint Evaluation database. There are now no projects under the RAF executed by the private sector, and the midterm review consultations on the emerging pipeline did not reveal a high likelihood of future projects. The private sector's lack of engagement will likely affect the recent policy on nongrant instruments (April 2008). Factors 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. Also, much private sector cooperation in the past has taken place through IFC. IFC is now working with three endorsed GEF-3 projects and has no proposals in the pipeline.

The main vehicle for GEF collaboration with the private sector is the GEF Earth Fund, previously the IFC-implemented GEF Public Private Partnership Initiative (GEF ID 3357). The Earth Fund was approved in June 2007 to establish innovative partnerships with the private sector to generate global environmental benefits in a sustainable and cost-effective manner. The budget for this multi-focal project, which has a GEF contribution of $50 million, draws on resources from the Trustee's project data reconciliation and savings in the corporate budget. The Earth Fund is designed around five initial "platforms" and will rely on project proposals to disburse funds. Because the partnership is not yet operational as of this writing, 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 as to 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 of the GEF Agencies. This section addresses the issues of how guidelines and GEF support facilitate timely and efficient implementation of the RAF.

Support and Guidance

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

When asked by the midterm review survey about the utility of such information and assistance, a slight majority of stakeholders (51 percent) found these to be helpful; 31 percent found them to be a hindrance, and 21 percent found them 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 offered 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 Program and the GEF country profile Web pages 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 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 GRE. On different occasions, countries were advised of different approaches to pipeline priorities and SGP funding. The April 2006 RAF guidelines (GEF 2006b) consist mainly of instructions on how to establish a pipeline for the RAF allocation but fall short of providing comprehensive guidance on how to understand, introduce, and manage the RAF, as had originally been requested by the Council. The GEF Operations Manual was released in April 2008, but it is not accessible to country stakeholders and does not add information on the RAF beyond the guidelines.

Tools also 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 $8,000, is insufficient given the expanded role of focal points and national consultations, and especially where several rounds of consultations are needed (as was the case in Togo).

Historically, countries frequently relied on the Agencies for instructions regarding GEF procedures. In many cases, however, Agency country offices were also uncertain about the changing rules on the RAF and the new project 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 Agency offices' ability to provide clarification 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 no longer sure of where to turn for resolution, and miscommunication frequently occurs. The country Web pages do not provide up-to-date status of PIFs before they are approved by the Secretariat, so countries do not know the status of their project ideas. This does not imply that the 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 among partners in a multiparty network appears to have caused a number of misunderstandings as well.

At the GEF Council's request, the 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 of information does not reach them. Stakeholders who are familiar with these reports do not find their format helpful in obtaining an accurate, realistic picture of RAF status.

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

Transparency and Public Disclosure

The need for public involvement and information dissemination is set forth explicitly both in the *GEF Instrument* and in the GEF definition of the RAF. A 2005 GEF technical paper notes, "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" (GEF 2005h). In response to these concerns, in 2007, the GEF Council approved a new communications and outreach strategy which aims to improve the GEF's accessibility.[4]

The GBI and RAF allocations for countries were made public on September 15, 2006, after the replenishment negotiations were concluded and GEF-4 was slated to begin. This disclosure document (GEF 2006c) contains indicative allocations for the individual allocations, the GBI for both focal areas, and each country's percentage share of the GBI.[5] Because of the RAF, a list of GEF-eligible countries has been made public for the first time.

At its November 2005 meeting, the Council agreed that individual country allocations and the GBI for all countries would be publicly disclosed and that CPIA data used in the GPI would be provided via a link from the GEF Web site to that of the World Bank. Council discussions on disclosure had focused on the confidentiality of the World Bank CPIA indicators and how to address this. The lack of participation in the design and development of the RAF did not give stakeholders an opportunity to understand the approach, which in turn, has created some discomfort with the final results and data.

The GEF Secretariat had proposed that the GEF would publicly disclose all RAF data and indicators; this would include both the methodology and indicators for the GBI, GPI, BFI, and PPI. The approved RAF paper 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* [emphasis added]" (GEF 2005c). Except for the conditions placed on the World Bank CPIA data used in the GEF GPI, the midterm review 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, although not always in the same form as used by the GEF.

It was also proposed that the indicators used for the BFI and the CEPIA would be disclosed only to respective countries, which is how the World Bank handles its CPIA scores. Other organizations would be able to use the scores for policy dialogue with the countries in discussing how to focus their efforts. There is no evidence that this has been done for the GEF GPI scores. And, while the World Bank CPIA scores may be shared with the countries, the midterm review found that this does not include the GEF focal points.

The actual disclosure of information is thus less ambitious than was originally proposed and what is legally possible. The GEF has not publicly disclosed all of the information needed for countries to understand why they receive a particular allocation amount, including the indexes, their formula, and the indicators that they consist of; the original data underpinning the indicators; the methodology to develop the indexes from these data; and the allocations resulting from the application of the formula and indexes. A majority (59 percent) of respondents to the midterm review'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 RAF index scores and calculations, it is possible that further disclosure may not help provide such clarity.

6.3 RAF Effectiveness and Efficiency

This section looks at the barriers and promoting factors for access to funds by countries, and the underlying reasons for these. It builds on changes in the GEF portfolio and pipeline, contextual issues, and feedback from interviews and surveys. Factors promoting or hindering access to GEF funds are summarized in table 6.1.

Access to funds has so far not been fully satisfactory. Group allocation countries have accessed relatively less than indicative countries with utilization in biodiversity, 27 percent; and climate change, 5 percent (GEF 2008f). Resource access is uneven within each category of countries. With

Table 6.1

Key Factors Influencing Access to Funds

Promoting factors	Barriers to access
• Enhanced predictability in GEF funding • Historic engagement with the GEF • Country ownership • Support from the GEF and Agencies	• Small allocations • Corporate reforms and related developments • Gaps in knowledge • Capacity limitations • 50 percent rule • Cofinancing

individual allocations, 12 biodiversity countries and 6 climate change countries have not accessed any funds; in the group allocations, 47 countries for biodiversity and 104 for climate change have not yet accessed any GEF funds.

Factors Promoting Access to RAF Resources

Many countries have succeeded in gaining access to RAF funds via approved projects. Some countries have hastened to obtain project approvals under their allocations (nine countries reached their maximum 50 percent of total GEF-4 allocations in June 2007, over a year before midpoint).[6] At least four aspects of the RAF setting have been beneficial to improved access.

- Improved **predictability** is especially beneficial 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" their GEF programming (such as India and Russia). For example, in climate change, the 11 countries with high resource utilization all have high country allocations. Of the 15 upper middle-income biodiversity countries, virtually all have high resource utilization. However, predictability contains a limitation, in that knowing the allocation is small may inhibit national stakeholders from action. For both focal areas, low resource utilization is generally linked to having smaller individual allocations or to being an LDC (even one with a relatively high allocation).
- A **history of engagement** with the GEF, coupled with an existing pipeline, has helped some countries use the predictability of funding to push projects. They have either been able to progress with projects already under development during GEF-3 or to generate new project ideas quickly. This facility obviously requires in-country technical expertise 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.
- 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 of and a contributing factor toward increased ownership. With a known allocation, national stakeholders and Agencies alike are given the incentive to contribute to proposal development. Expanded participation and engagement of expertise can be a key resource, although in itself it is no guarantee that all choices will be the right ones.
- Strengthened **support** from GEF entities is widely appreciated among the focal points and can enable countries to work more efficiently and effectively with GEF Agencies toward successful project proposals. This support may come from the Country Support Program or through funds available to the GEF focal points. In addition, the development of a country profile page on the GEF Web site allows countries access to portfolio and related information.

Some focal points have also reported positive, constructive working relationships with the GEF Secretariat on PIF or project preparation grant reviews. Additionally, the select CEO exceptions to the 50 percent rule bring up the overall rate of resource utilization. The Secretariat, along with the GEF Agencies, has increased its efforts to develop programmatic approaches to help boost the access of funds by group allocation countries, especially in the Pacific, the Caribbean, and West and Central Africa.

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

Despite these measures, 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.

Barriers to Access to RAF Resources

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

Small Allocations

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

For many countries, and especially group allocation countries that historically may have 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 midterm review survey that country allocations may be so small they discourage development of project proposals. This view varied across different categories of stakeholders, with 59 percent of focal points and government staff, 73 percent of NGO staff, and 88 percent of Agency staff finding this to be 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 Burkina Faso, Egypt, Ghana, and Uganda). This appears to be linked to a decline in motivation to program small fund amounts, when stakeholders have historically expected larger amounts of funds that better reflected their needs.

- Countries that have experienced a **switch in resource availability between the two focal areas** can attempt to manage this dual focus. Substantial allocation reductions across replenishments can lead to low utilization.
- Small overall allocations often mean **smaller projects**, either by reducing projects to fit the allocation or by countries dividing the portfolio into smaller projects per national priority or Agency share.
- Limited funds can make it impossible for countries to address either national or GEF **priorities.** From African focal points, the midterm 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 so as to address market transformation effectively.

GEF Corporate Reforms and Related Developments

During the first half of GEF-4, certain developments and reforms were put into place roughly concurrent with the RAF's full implementation. These changes together added complication to RAF implementation and resource utilization; they include the following.

- **Stoppage of the GEF pipeline.** To allow for more efficient processing of project proposals, the CEO canceled the existing pipeline. The late replenishment also led to a stoppage of work programs in December 2006. A majority of respondents to the midterm review's stakeholder survey (70 percent) recognized the closeout and restart of the GEF pipeline as a hindrance to accessing GEF funds; only 11 percent of the respondents reported that they found these changes to be helpful.[7]
- **Revision of the project cycle.** In response to a grossly overloaded GEF pipeline and to a GEF Evaluation Office analysis of the problem (GEF EO 2007d), the GEF Council modified the activity cycle in June 2007. As GEF entities have thus far worked with the new cycle, the occasional procedural error has been made, taking time and effort to resolve.[8] 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.
- **Revision of project approval templates.** The initial templates for submitting project identification information were made available in September 2006, but experience subsequently showed that revisions were necessary. Interim drafts were circulated to Agencies, changes were incorporated, and revised templates were made available in April 2008. For those submitting projects for approval, this sequence resulted in two separate waves of revision to the forms and guidance. In many cases the "original" GEF-4 submissions were revised versions of proposals left over from GEF-3. Because existing submissions were not "grandfathered," requests for approval were, on occasion, submitted two or even three times, according to Agency and focal point sources.
- **Scope and timing of PIF reviews.** Many interviewees 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 originally submitted PIFs. The result has been "bounce backs," widespread frustration, and discouragement regarding subsequent proposals. RAF complexities exacerbate this barrier.

- **Approval of focal area strategies for GEF-4.** In content, the strategies, which were approved in July 2007, are not seen as constraining pipeline prioritization, but delays in their approval resulted in pipeline development and prioritization consultations in their absence, thus leaving room for interpretation. Moreover, the strategies are often too ambitious for countries' project proposals, especially group allocation countries with limited funds.

- **Bilateral teleconferences on the pipeline.** The teleconferences between the GEF Secretariat and focal points (2006–07) were advisory consultations, but the follow-up letters identified feedback on proposals. The rate of project clearance was low. Actionable items were not fully clear to countries, and the parties that were 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 the "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" (GEF EO 2008a). Coupled with the instructions that Agencies should not negotiate PIFs before country/Secretariat agreement, the teleconferences led to a freeze on planning in some countries and regions.

Gaps in Knowledge

For the GEF to work effectively under the RAF, all 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 have together struggled to share understanding of RAF design and procedures. Unfortunately, the RAF's history is characterized by limited disclosure on technical design points, incomplete transparency of decision making, unclear guidance, mixed messages or operational policy changes, and indications of further guidance and action that did not materialize. These limitations have translated into weak institutional responsiveness and have 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 how they are to obtain it (including the 50 percent rule and other process concerns). Recipient countries that are represented on 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 RAF implementation and to improve GEF information systems.

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 manage its country portfolio effectively. When the critical mass of such resources is not present, the modest level of resources made available through a group allocation is insufficient for a government to invest seriously in improving the situation.

The certainty attached to the individual country allocation helps attract political attention and other stakeholders, and often promotes a more deliberate approach to portfolio planning. Administrative capacity can be strained for **individual allocation country OFPs**, however, 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 percent of all countries) consists of those countries with group allocations in both focal areas.[9] Of these, 39 percent are from Sub-Saharan Africa, and 39 percent are SIDS. The large majority of countries in special circumstances (LDCs, crisis and post-conflict countries, SIDS, and so on) is part of the group allocation. As noted earlier, resource utilization by LDCs is just 8 percent, compared with non-LDC country utilization of 40 percent. **Focal points in group allocation countries** typically face daunting challenges. For one thing, their countries' communications infrastructure may inhibit their ability to stay informed about GEF procedural changes or guidance on pipeline management. Also, some GEF Agencies may elect to "triage" their country partnerships, focusing on larger allocation countries. 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 the RAF; for example, new personnel were brought in at the middle of the process, many of whom had a steep learning curve in understanding the RAF and/or the GEF. Many stakeholders feel that the GEF Secretariat also was developing systems and rules or directives as it went along, in that its traditional role has not been to support implementation issues. The complexities, including the logistics, of holding teleconferences with the various countries demonstrate the challenges in dialoguing with the large number of recipient countries.

The **GEF Agencies** also exhibit capacity limits in dealing with GEF projects and the RAF transition. Agencies may be willing and able to provide support, but face barriers of their own. For the Agencies, the RAF often means additional challenges in terms of added complexity in operations, changes in the financial context, and occasionally mixed messages from the Secretariat and the GEF CEO regarding when and under what circumstances to communicate with country governments or other GEF Agencies. Moreover, it is often 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 the financial context for Agencies and cofinancing elements and blended projects add to the financial and managerial complexity of GEF activities. The policy on Agency comparative advantage can also be a barrier to access, even though not intended as such. In some 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 are experienced within the complex network of GEF entities. For example, focal points may see the Agency as the cause of delay in obtaining project approval. In some cases, this may be true; in other cases, the logjam appears to be the Secretariat review. The midterm review team heard numerous complaints that Agencies "tend to disappear once they get the country's endorsement." Countries are frustrated as a result of not knowing the status of their proposals.

The 50 Percent Rule

The 50 percent rule is a barrier, although not to all countries. It is too early to verify if countries have been waiting for the 50 percent point in GEF-4 to pass before submitting new PIFs. A slim majority (51 percent) of midterm review survey respondents found the overall effect of the 50 percent 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 percent 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 full GEF-4 levels. Exceptions to the 50 percent rule have been made by the CEO for operational reasons for some countries.[10]

Cofunding Requirements

Countries are called upon to identify cofinancing of GEF projects. The timing constraint of the RAF, combined with the prioritization and approval challenges, results in a more complex environment for planning this aspect of projects. At times—for example, when an OFP is located in a ministry of finance—the cofinancing issue may be dealt with fairly readily, but this is the case in 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 first looks at key questions on the emerging effects of the RAF related to country ownership and processes. It then addresses how priorities for the project pipeline and the nature of projects have changed from two perspectives: (1) whether the introduction of the RAF had unintended, negative effects on the GEF portfolio and projects; and (2) whether the RAF encouraged improvements in the portfolio. In this regard, it looks at the effects of the RAF on special groups or modalities, such as global and regional programming, enabling activities, and the SGP. Key trends are summarized in box 6.1.

Box 6.1

Key Trends in GEF-4

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

Country Ownership

Country ownership, or country drivenness, is one of the GEF's 10 operational principles, linked to country capacity and the effectiveness of GEF processes and projects. The concept of country ownership 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 the national and local levels.

Enhancements to Country Ownership Linked to the RAF

GEF OFPs, especially in countries with individual allocations and thus predictable funding, 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 surveyed found 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 only 25 percent felt 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.

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 than was possible under the "first come, first served" approach applied before the RAF. India and Russia may be examples of countries that have brought more coherence to 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. 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 the RAF. National consultations appear to have moved up from a focus at the project level to greater attention to portfolios. Similarly, with the CEO request in spring 2006 for identification of national priorities, the level of consultation appears to have moved up as well in most countries. Specifically, with the need to discuss a portfolio, consultations seem to have shifted away from the project-by-project discussions of the past. The following techniques have been observed:[11]

- **GEF committees.** Some countries reported that they have established national coordination committees of varying levels of formality. In some cases, the RAF was the primary factor in encouraging governments to intensify and/or formalize national consultation processes (for example, the Republic of Congo).
- **Consultation meetings.** Some countries have established such meetings either of committees or of a larger group. Bhutan, for example, held a consultative meeting with all stakeholders.
- **National consultative workshops and processes.** Some countries, including Indonesia and Sri Lanka, have set up a process to consult on proposals, with a series of meetings, brainstorming sessions, or workshops entailed.
- **Other innovative mechanisms to establish priorities.** Such mechanisms include contracting with a private company to help develop a country strategy (as in Ecuador) or utilizing a national roundtable (as in Vietnam).

Thus far, no consultations or discussions of priorities have taken place regarding focal point decisions.

Limitations to Country Ownership Linked to the RAF

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 a project's environmental relevance or quality. There are some potentially significant limitations to the quality of country ownership under the RAF once ownership is viewed as including broad engagement of a spectrum of country stakeholders both within and beyond government.

The GEF NGO community appears to hold a mixed view regarding the RAF's effect on country portfolio planning processes. Fifty percent of the NGO respondents to the survey noted that the RAF has been successful or very successful in promoting transparency of country portfolio planning. Forty percent of NGO and private sector respondents reported that their involvement in country portfolio priority setting had increased moderately or a great deal under the RAF. On the other hand, a substantial number of concerns were expressed to the midterm review team regarding a perceived decline in effective NGO and civil society participation. These concerns included perceptions that governments manage projects according to the interests and priorities of the current focal points; that the involvement of line ministries is lacking as is that of NGOs that used to have better opportunities to develop MSPs with a community-based focus; that the RAF has low visibility at the local NGO level, partly due to a lack of information from the government; and that there are few if any materials on the RAF available in local languages. Some believe that there is disparity among types of NGOs in terms of access to GEF resources. Specifically, they feel that large international environmental NGOs may have benefited from the RAF, while smaller international and regional NGOs have been more negatively affected by it.

Despite expanded opportunities for strengthened country ownership, limitations to country capacity can leave country focal points "lost in a sea of change." 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 the following:

- Changeover in the staffing of focal points, due to changes in country political leadership, retirement, and other career changes among civil service staff, makes for challenges. The need to climb the steep learning curve of GEF processes is critical, making sustained focus at the 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 remarked on what is to them a trade-off 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.
- The various barriers to funding access identified earlier tend to weigh against effective country ownership as well.

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 in their programming and in securing cofinancing. In fact, 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 the period. Some regions that did not access large funds in the past, such as Europe and the Commonwealth of Independent States, expressed positive feedback on the greater predictability of funding, which also helps the focal points 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 allocation do not know the exact amount of their specific allocation. They know they can in principle access up to $3.5 million or $3.1 million for biodiversity or climate change, respectively, but that does not provide the same level of predictability to help with long-term planning as for 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 GEF project cycle and insufficient guidance and communication with country focal points weaken the predictability of the RAF.
- **Fifty percent rule.** Many countries, and most of the GEF Agencies, maintain that the 50 percent rule has reduced the 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 percent rule was in effect for a given country.

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

Operational Programs

Within each focal area, the operational programs describe how and under which themes the GEF implements its Operational Strategy (1996). Historically, projects in biodiversity operational programs account for 17.1 percent of GEF funding compared to almost 7.9 percent now; the four climate change operational programs have decreased their share from 26.7 percent to 12.7 percent (see table 6.2), reflecting the low resource utilization of the RAF focal areas.

The trends within biodiversity point to relatively more projects in agrobiodiversity and arid ecosystems. In climate change, sustainable transport and energy efficiency have grown. These changes reflect the new GEF-4 focal area strategies. The shares of multifocal, integrated ecosystem management, and mixed operational programs appear similar to past GEF-3 shares, but figures may be skewed since the GEF database has less data on operational programs in GEF-4 (29.1 percent not specified).

Efficiency and Elapsed Time

One of the key aims of the new GEF 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 GEF targets have been achieved.

Given that the GEF-4 started in February 2007, only PIF approvals since then are counted. Consequently, the projects that have moved from PIF

Table 6.2

Shares of Resource Utilization by GEF Operational Program Historically and under the RAF
percentages

Operational program	Pilot–GEF-3	GEF-4
Biodiversity: Arid and Semi-Arid Zone Ecosystems (OP1)	3.6	2.9
Biodiversity: Coastal, Marine, and Freshwater Ecosystems (OP2)	5.8	1.3
Biodiversity: Forest Ecosystems (OP3)	5.4	1.4
Biodiversity: Mountain Ecosystems (OP4)	1.5	0.8
Biodiversity: Conservation and Sustainable Use of Biological Diversity Important to Agriculture (OP13)	0.9	1.5
Climate change: Removal of Barriers to Energy Efficiency and Energy Conservation (OP5)	8.9	6.0
Climate change: Promoting the Adoption of Renewable Energy by Removing Barriers and Reducing Implementation Costs (OP6)	11.9	1.8
Climate change: Reducing the Long-Term Costs of Low GHG-Emitting Energy Technologies (OP7)	4.0	0.3
Climate change: Promoting Environmentally Sustainable Transport (OP11)	1.9	4.6
International waters (OP8, OP9, OP10)	11.6	6.4
Integrated Ecosystem Management (OP12)	1.8	0.4
Land Degradation (OP15), POPs (OP14), ozone depletion	4.6	18.3
Short-term response measures, enabling activities, Strategic Pilot on Adaptation	11.6	1.9
Mixed	24.3	23.3
Not specified	2.4	29.1
Total	**100.0**	**100.0**

Note: OP = operational program.

approval to CEO endorsement by mid-2008 have taken less than a year. The relatively short elapsed time from PIF approval to endorsement reflects the fact that these projects are from previous replenishment periods and had been under preparation prior to the start of the revised project cycle and "repipelining" as PIFs.

For 28 FSPs approved since the GEF-4 effectively started, the actual average elapsed time from pipeline entry (concept approval) to CEO endorsement is 40.4 months.[12] The 18 endorsed projects in the RAF focal areas have averaged 36.9 months.

The GEF Council originally established a time frame of 22 months from concept (now PIF) approval to start of project implementation; this has since been amended to 22 months from PIF approval to CEO endorsement (which, in GEF-3, was 4 months before project implementation on average). The standard timeline would therefore now be around 26 months on average, and the approximate 4 months would be added to the 40.2 months to an estimated 44-45 months from concept approval to start. One FSP under the RAF is recorded in the Secretariat database as having started implementation.[13] For MSPs, the Secretariat reported that the average elapsed time is close to 22 months from the original date of receipt to CEO approval.

For the new project cycle, service standards were established for Secretariat response time to Agency submission of proposals within 10 working days.[14] Feedback from the Agencies to the midterm review team indicates that the 10-day turnaround rule from submission to decision is not consistent. Approval review can be delayed, the submission date may not be correctly recorded, and counting can begin from when the Secretariat staff is back from travel or vacation. More difficult to assess is the time spent back-and-forth before formal submission.

Changes in Pipeline and Portfolio

For those 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 the 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 past historical involvement with the GEF and thus the likelihood of having a proposal in the pipeline already, and the RAF allocation, as follows: (1) **need to develop proposals**, for countries with limited or no pipeline in either focal area (there are 37 countries with no pipeline, including about 9 with no historical allocation) and countries with an existing pipeline but a larger allocation than historically; or (2) **need to cut or reduce proposals**, for countries with an existing pipeline but a 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.

- **Baseline at the end of GEF-3.** At this time, 646 proposals were in the pipeline (including 200 prepipeline ideas) (GEF EO 2007d).
- **Spring 2006.** The Secretariat disclosed the existing pipeline to countries and at subregional workshops, including FSPs that had entered the pipeline and 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.
- **September 2006.** The Secretariat informed the Agencies that all concepts currently in the pipeline would have to be repipelined. This involved concepts totaling about $1.7 billion, of which 119 had PDF-Bs. Of 177 concepts in the pipeline, 96 were resubmitted by the Agencies.
- **October 2006.** Seventy-five countries sent a list of their priorities to the Secretariat. Of these, 31 percent were countries with individual allocations in both focal areas, 20 percent were biodiversity individual allocation countries, 9 percent were climate change individual allocation countries, and the rest were group allocation countries in both focal areas (31 percent, relatively low).
- **October 2006–April 2007.** The Secretariat initiated 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. In all, 127 countries were called; 26 countries had neither a pipeline nor a teleconference.
- **December 2006.** One hundred and fifteen projects in the pipeline were canceled; this included 30 global and regional projects because the 5 percent RAF GRE had been frozen.
- **July 2008.** Twenty-eight country, regional, and global FSPs had been endorsed under the RAF, and 65 MSPs approved.

When comparing the pipeline lists along the timeline, no clear pattern or consistency emerges, and considerable changes have been made. Many of the old GEF-3 proposals have been discontinued or were not picked up in the country prioritization or in current approvals. The countries seem to have taken seriously the GEF CEO's request to consult widely; consequently, broader priorities have emerged. Some of these proposals had been long in preparation, with focal point and government attention meanwhile shifting to other issues. Regardless of whether these changes result in an improved pipeline, they have required considerable cost and effort to develop.

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 modifications during development related to the national, GEF, or Agency situation. Several changes have been identified that primarily stem from the RAF consultations and the size and kind of RAF allocation, including the following.

- **Merging project proposals.** Countries developed lists of project priorities, which drew in part on existing GEF-3 concepts and in part on 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 among several projects.** This case appears common when funds are insufficient for several projects, for group allocation countries, or because of the 50 percent rule. It is also noted for those countries that had past experience with GEF projects and had a pipeline, but that are now part of the group allocation. Due to the 50 percent 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 proposal was ready for submission. Some countries informed the midterm review team 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 these strategies were approved. The RAF contributed to such changes by shifting allocations compared to existing pipelines.
- **Dropping projects under development.** Projects were dropped for several reasons. A total of 45 percent of 96 projects were discouraged in the teleconferences for lack of strategic fit. At least 55 pipeline projects from GEF-3 were not reconfirmed by the focal points.[15] The majority of these projects were in climate change (56 percent, 31), which may have contributed to resource utilization issues.
- **Developing new projects.** A large number (388, or 76 percent) 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 percent of these (92 of 388) the proposal was cleared by the Secretariat; the majority of these were 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 moved on to approval or development even when they were 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 5 enabling activities, 12 MSPs, and 4 CEO-endorsed FSPs.

Modalities

The share of MSPs has increased under the RAF. At the GEF-3 midpoint, this share was 5.5

percent; at the GEF-4 midpoint, it is 9.0 percent. For small allocations, Agencies are encouraged to view projects as part of entire portfolios; in this way, some FSPs subsidize the cost of administering smaller projects. This approach has been difficult for the Agencies for several reasons, notably because of the increased unpredictability of funding under the RAF, because of group allocations, the application of eligibility and the comparative advantages policy, and the stoppage of the pipeline.

There has been a reduction in project preparation grants. This decrease is mainly linked to the new policy to limit preparation grants within the new project cycle. The RAF may create additional disincentives especially with regard to project preparation funds because they take away from project 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-Bs for FSPs and PDF-As for MSPs. A total of 71 percent of all FSPs and MSPs approved during GEF-3 had some PDF component, up from 60 percent in GEF-2 and 46 percent in GEF-1. In GEF-4, 61 project preparation grants have been approved for the RAF focal areas, but the amounts are naturally smaller than previously (1 percent of approved resources).

Project Quality

It is too early to assess project design quality. Given all the changes to the GEF pipeline, it is not possible to determine if the portfolio has improved or not. In most cases, proposals are not yet finalized. In the midterm review survey, 60 percent of respondents found that RAF implementation may place stress on the design quality of GEF projects.

In a 2007 review of proposals, 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. No comparative assessment of the past portfolio is available, and the findings may be influenced by the PIF format. There appears to be no discernible pattern by RAF focal area.

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 concern seems to be linked to a number of factors, including limited country funding, reduction in global and regional resources, 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 among the GEF, the countries, the Agencies, and other interested stakeholders such as the private sector and donors. At its April 2008 meeting, the Council endorsed the objectives and basic principles for programmatic approaches (GEF 2008d), 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, prior to the finalization of these principles. So far, 12 programmatic approaches have been approved in GEF-4. Financial commitment is handled through individual PIFs that may be presented at the same time as the program framework document 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. As a specific example, preparation of the GEF Pacific Alliance for Sustainability program framework document took more than a year. The current manner of applying programmatic approaches adds layers of bureaucracy to a process already perceived as complex and nontransparent. Combined with the 50 percent rule and the four-year allocation, this 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 the 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; 23 percent found them a hindering factor, and 29 percent found them 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 program, the China Biodiversity Partnership Framework, and similar programs in Russia and Vietnam.

In spite of the new policy, 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 in obtaining more and reliable statistical data. The lack of understanding on how to engage in a programmatic approach and 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.

Programmatic approaches should **emphasize the 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 regarding how to use different GEF sources and how to package the program, from which focal areas and country RAF resources, how much should be taken from the group allocation or from the GRE, and so on.

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

A fourth principle is the **cost-effectiveness** of programmatic approaches. There is funding support available for thematic programmatic approaches such as for sustainable forest management, biosafety, and TerrAfrica. However, transaction costs are higher with a programmatic approach, and the efforts required to launch such an approach can be considerable. The GEF Pacific Alliance for Sustainability, the Congo Basin initiative, and the West Africa programs are all based on a number of ministerial meetings, workshops, and consultations. The coordination work and program framework document preparation are not recognized through support; Agency fees are available only for project PIFs. At times, programmatic approaches may decrease competition by forcing coordination. Some stakeholders noted that programmatic approaches are sometimes more difficult to link to the global conventions and that cofinancing is especially difficult for global and regional projects. A programmatic approach that is purely regional may not achieve the same level of cost-effectiveness; the added impact compared to individual country projects is not yet demonstrated.

Issues

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 or bilateral meetings. In the Pacific, Agencies were invited to the Palau meeting in March 2008 to finalize the GEF Pacific Alliance for Sustainability, for which 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 the Democratic Republic of Congo and for several projects under the GEF Pacific Alliance for Sustainability, although another Agency had already undertaken initial work in accordance with the government's wishes. This sort of inconsistency leads to delays in preparation and frustrations among Agencies and countries.

The bilateral relations between the Secretariat on the one side and the focal points and ministers on the other are appreciated, especially as they help 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 in obtaining the funds needed, and this partner is not on board or informed of the purpose and steps. The criteria for selecting an 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 the start, with an open marketplace for the Agencies.

Financial arrangements are especially complex. There are no specific rules, and deals can be made. Countries wonder how much they will be 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 about $2 million in a focal area. This is less than the maximum that they can obtain ($3.5 million for biodiversity and $3.1 million for climate change) but considerably more than $1 million, and is of particular interest if they have not accessed—or are not likely to access—any funds. If countries accept the $2 million, they cannot expect to get any more funds from the group allocation. The individual allocation countries, fewer in number, are also encouraged to join regional programs; and all countries may access additional funds from the GRE, as well as 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 of how the allocation to global and regional projects has been implemented, and what its relationship has been with individual and group allocations. Under the RAF, global and regional projects can be funded both from the GRE (the 5 percent exclusion from the formula) and from individual countries using country allocations for regional or global projects.[16]

The historical allocation to global and regional projects was considerably higher than the 5 percent of funds set aside from the RAF formula in each focal area. The RAF provides $50 million per RAF focal area for global and regional projects. During the pilot to GEF-3 phases, a total of $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 percent of biodiversity funds and 20 percent of 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 percent in biodiversity and 37 percent in climate change, 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 percent), as well as the largest share of climate change resources (37 percent). In biodiversity, Africa is followed by Latin America and the Caribbean (33 percent) and Asia (13 percent). In climate change, the Eastern European countries (23 percent) received the second most resources, followed by Asia and Latin America and the Caribbean (20 percent for each region).

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

By Agency, UNDP accounts for the largest share (44 percent, $166 million) of historical regional resources in the biodiversity focal area. In climate change, the World Bank historically accounts for the largest share (46 percent) of regional resources. In the biodiversity focal area, UNEP accounts for 59 percent ($106 million) of the resources in global projects from the pilot phase to GEF-3, followed by the World Bank (30 percent). For climate change, the World Bank accounts for the largest share (40 percent, $99 million), followed by UNDP-UNEP joint projects (29 percent) and UNEP alone (17 percent). The latter's share has now dropped to 28 percent and 32 percent in climate change and biodiversity, respectively.

The utilization of global and regional resources in the RAF focal areas exclusion appears marginal at the midpoint of GEF-4, with $8 million for biodiversity and $27 million for climate change (see table 6.3). For biodiversity and climate change respectively, this is 1 percent and 2 percent of all global and regional resources, as compared with historical shares of 25 percent and 21 percent. Outside of the RAF, there has been a growth in regional projects, from 34 percent to 64 percent of global and regional resources in a replenishment

Table 6.3

Shares of Global/Regional Resource Utilization by Focal Area Historically and under the RAF
percentages

Focal area	Pilot–GEF-3	GEF-3	GEF-4 midpoint
Biodiversity	24	9	1
Climate change	20	8	2
Multifocal	66	8	13
Non-RAF	56	13	27
Total global/regional (million $)	**2,243**	**1,112**	**560**

period. So far, 15 global and regional projects have been approved under the RAF.

Guidance and transparency on global and regional programming have not been adequate. In 2006, the RAF Task Force 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" (GEF RAF Implementation Team 2006d). Later, guidance was not made available, as had been expected for global and regional project criteria and guidelines, criteria for committing funds to global and regional projects, information on how such projects are managed, and a clear set of policies for use in light of revised focal area strategies. Participants at the Africa subregional workshop in June 2008 commented on the lack of funding guidelines.

Some resources were committed elsewhere from the outset, in a move one interviewee called "taxation of the focal areas." For example, in the climate change focal area, the GEF Council approved a Strategic Pilot on Adaptation in 2004, but had not managed to spend the global commitment of $50 million in GEF-3. It was decided in the GRE guidelines that the estimated remaining $23 million would be funded out of the GRE, although adaptation projects are in general single country projects. It remains difficult to discern in GEF monitoring reports and 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 funds appear to have been committed; and 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 the GRE is changing the nature of global and regional programming under the RAF. Global projects are of worldwide scope and would not be funded otherwise by individual countries; such projects generate global knowledge and/or transform global markets. Multicountry projects are funded through contributions from countries and country group pools with benefits that go beyond each country and are justified on the basis of cost-effectiveness.

At the start of GEF-4, several global projects were approved that had been in preparation for some time. The regional projects funded from the GRE so far mainly concern the GEF 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 the RAF changed the nature of many regional and global projects under development, disrupting the preparation of some. In the cancellation of the 2007 pipeline, 30 projects were global or regional. When the pipeline planning exercises came to an end, no criteria were established for selection. For example, the 2006 Biosafety Strategy, which responds to the Cartagena Protocol, emphasizes the importance of regional approaches and has become difficult to implement under the RAF due to 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 their 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, and 47 such projects were discussed in the teleconferences between the focal points and the GEF Secretariat in 2006–07. For the majority of these projects, the countries were told that endorsement from other countries would be needed. Depending on the source of funds (GRE or country RAF), it was not clear to many countries who would handle the negotiation of such endorsements.

The RAF constitutes a disincentive for regional and global projects. Given the reduction in funds available corporately, it was assumed during the RAF design that countries would voluntarily provide funds from their country allocation, especially for group allocation countries.[17] This assumption is not holding up, and it has become more difficult to organize regional projects for a number of reasons provided to the midterm review.

- **A disinclination by countries to give up their country allocation, however small.** Even though the GEF emphasizes 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 component.[18] The pooling of country resources has so far been done with considerable encouragement from the Secretariat and in part from the Agencies, but has not been voluntary.
- **Regional cultural barriers to cooperation.** In some regions, as in Southeast Asia, regional cooperation has a long history. This is not the case in all subregions, however; thus, these relationships can be uneasy and forced.
- **Uneven RAF distribution of funds.** For example, South Africa has an individual allocation but is surrounded by countries that are in the group allocation, making it difficult to partner collaboratively with neighboring countries that have access to only 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 the rationale for same. As a facility on global environmental issues, the GEF might be expected 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 global and regional projects, as with the SGP and support to cross-cutting capacity building. The Secretariat had originally proposed 12 percent for the GRE in each focal area; there does not seem to have been any specific rationale or discussion behind the 5 percent set-aside. Global and regional projects do not appear to have had strong proponents in the design process, and were perceived as being more complex.

One issue of concern for a PBA system may be the perception of performance of global and regional projects compared to individual country projects. Based on the terminal evaluation reviews undertaken by the GEF Evaluation Office, the global and regional projects have lower outcome ratings (70 percent were rated marginally satisfactory and above versus 85 percent for single country projects), but are less affected by risks to sustainability (the sustainability of 63 percent of these projects was rated as marginally likely and above versus 48 percent for single country projects).[19]

The Delphi expert panel supported increased funding for capacity building (average response 6.7 on scale of 1–10) and for regional projects (average 7.2). Stakeholder comments supported the need to level the playing field and address multicountry problems. International NGOs also suggested 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 GRE levels other than 5 percent for the initial RAF allocation:

- **No GRE.** 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 by 4.08 percent as compared to their initial RAF allocation. Eight more countries would fall into the group allocation but would share a larger pot. In climate change, the pattern would be more extreme. It would push 17 countries into the group allocation, increase the individual country allocation by 5.65 percent, and fix the maximum group allocation at $4.9 million.
- **GRE allocation at historical levels.** If 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 percent in each focal area, 28 countries would move up from the group allocation to an individual allocation in biodiversity (although the individual allocation countries would receive somewhat less[20]), and the remaining group allocation countries could only access a maximum of $1.6 million. In climate change, 43 countries would move up to individual allocations, and the rest would have $1 million each. China would still remain at the ceiling with $150 million, 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 for the preparation of a national communication or report to a convention.

For many, if not most, countries, GEF support thus far has primarily comprised enabling activities. From the pilot phase to GEF-3, 817 enabling activities were undertaken, representing a GEF allocation of $268 million; 34 percent of this funding was for biodiversity and 31 percent for climate change (GEF EO 2007d). During GEF-4 until midpoint, 21 enabling activities were approved, of which 10 are in biodiversity, 5 are for POPs, and 6 are for National Capacity Self-Assessments for Global Environment Management (multifocal area).

No country used its RAF allocation to support the preparation of national communications under the expedited enabling activity procedures. This is because under the umbrella project jointly managed by UNEP and UNDP, the GEF provided grant financing totaling $67,889,302 to cover the preparation of national communications in 134 countries, corresponding Implementing Agency fees, and support for the implementation of the National Communication Support Program. This money was essentially a carryover from GEF-3 and preceded the RAF under GEF-4.

The utilization of resources for enabling activities is linked to the ongoing umbrella program and to the cyclical nature of convention requirements. Expedited GEF procedures involve decentralized project approval of enabling activities under an umbrella program for about 130 countries, approved in April 2004 (National Communication Project for Climate Change, UNDP/UNEP). The climate change guidelines establish a period of 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 this funding window which was made available prior to GEF-4, and have not needed to use RAF funds for this purpose.

Approval of enabling activities fluctuates based on periodic reporting to the conventions. Before the RAF, the latest convention guidance on GEF enabling activities in climate change dated November 2003 from COP8, and from October 2000 for biodiversity. Decision 7 of the 13th session of the UNFCCC COP asks the GEF to

> …refine, as appropriate, operational procedures to ensure the timely disbursement of funds to meet the agreed full costs incurred by those non-Annex I Parties that are in the process of preparing their third, and where appropriate, fourth national communications… (UNFCCC 2008b).

In principle, the RAF provides sufficient funds for each country to undertake enabling activities in each focal area. Because countries are currently accessing such funds through the umbrella program, it is too soon to say how the enabling activities will be affected in practice.

The GEF-4 biodiversity enabling activities have an average budget of $0.28 million. The average enabling activity has ranged from $0.16 million to $0.33 million in biodiversity and climate change, respectively. The latest cap on funding in GEF guidelines on enabling activities was $350,000 for an expedited enabling activity in biodiversity and $405,000 for climate change (GEF 2000, 2003d), which is within the $1 million 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 efforts for larger amounts. These countries now have individual RAF allocations. The responsibility lies with the countries to establish RAF pipeline priorities in line with their national priorities and obligations under the conventions. Historically, there has been a high demand from countries for enabling activities, as well as an appreciation for their utility (GEF EO 2007d). However, to this point, enabling activities have not been in competition with project funding for country MSPs or FSPs.

Access to funds for convention obligations will be more challenging for group allocation countries. The revised rules indicate that projects submitted after December 31, 2008, "may be endorsed, at the discretion of the CEO and where funding allows" (GEF 2008o). If a country has already used its allocation for other projects, or if the overall group allocation is short of funds, resources for enabling activates will be in jeopardy if new COP guidance requires additional funds. For example, if a group allocation country uses $350,000 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 the RAF, there was a lack of clarity as to whether (and which) enabling activities would fall under the RAF. The existence of other funding windows (National Adaptation Programs of Action under the LDC Fund and the

GEF-UNDP-UNEP umbrella program) contributed to the confusion. Recognizing the risk of competition in funding, it has been suggested to provide enabling activity funds as an exclusion to the RAF. Both the biodiversity and climate change convention secretariats have raised suggestions to this effect. However, a set-aside fund would require a country to know its funding requirement at the start of a replenishment phase.

The predictability of funding needs is an issue beyond the predictability of funding availability. The UNFCCC Secretariat indicated to the midterm review team that feedback is needed from the GEF Secretariat about the availability of RAF resources so that the COP can generate guidelines for the third national report. For its part, however, the GEF bases the amount of resources provided for national communications on climate change on the convention requirement and the guidelines approved by the COP. In climate change, financial support would likely have to be provided to the more than 50 countries that are expected to begin preparation of their third national communications before June 2010 after completion of their second national communication reports.

The main concern regarding convention obligations under the RAF is for biosafety. The Cartagena Protocol on Biosafety is the only protocol fully supported by the GEF as the financial mechanism; it is covered by the RAF biodiversity allocation. 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 (UNCBD 2008c)

in order to establish and operate the required biosafety clearing-house mechanism; it also urged the GEF to "make financial resources available with a view to enable eligible Parties to prepare their national report" (UNCBD 2008b, Decision IV/5). Measures that facilitate consideration of regional and subregional projects to be developed by countries in a given region were suggested. Past support was efficiently provided through a UNEP umbrella program. 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. Thus, the RAF appears to have slowed the momentum created by the previous global biosafety project. The average cost of country implementation plans is about $600,000, which is not possible to fund within the RAF allocations for most countries. So far, 10 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 a focus on obligations and on results. Ultimately, there may be different expectations from donors and convention parties as to 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 GEF Climate Change Program Study of 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

During the third phase of its operation (that is, until the end of calendar year 2007), the SGP received almost all of its GEF support through core funds. During its fourth operating phase, 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; these have affected SGP operations as described below. For more information, see Technical Paper #6, "Effects of the RAF on the Small Grants Programme."

So far, the SGP has accessed $18 million from RAF allocations. The rules regulating access and use of RAF resources have constrained the SGP from accessing GEF resources through RAF country allocations, and it is likely that, during GEF-4, the SGP will be able to access only about $62 to $68 million from RAF country allocations. This is lower than the $90 million expected as per GEF (2006j).

The SGP portfolio is shifting because RAF funds can only be used in the focal area providing the funds—that is, biodiversity or climate change. Overall, the proportional investment in projects pertaining to the climate change focal area has increased significantly; there has been a concurrent moderate increase in investments in the biodiversity focal area. SGP investments in other focal areas, however, have declined. The project portfolios of RAF funds–only country programs have been most affected. Project portfolios of RAF/core funds country programs were moderately affected, and those of core funds–only country programs have remained unaffected. (See table 6.4.)

At the overall global program level, the predictability of funding has improved for the SGP, especially for management activities. At the country program level, however, a significant proportion of the coordinators from RAF/core funds country programs report that after implementation of the RAF, the predictability of funding allocations for their programs has declined. On the positive side, a majority of these coordinators maintained that, after RAF implementation, transparency in funding allocations 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 third operating phase of the SGP, the annual expenditure by these programs on project grants has declined. Due to lower levels of operation, program management costs increased from 13.5 percent during the third operating phase to 14.8 percent during the first year of the fourth phase.

Table 6.4

GEF Investment in the SGP Project Portfolio by Focal Area
Percentages

	Biodiversity		Climate change		International waters		Land degradation		Multifocal		POPs	
Country program type	OP4	OP3	OP4	OP3	OP4	OP3	OP4	OP3	OP4	OP3	OP4	OP3
RAF funds–only programs (17)	75	57	23	9	0	1	0	11	2	18	0	5
RAF and core funds programs (47)	46	44	31	18	1	7	15	17	7	11	1	3
Core funds–only programs (44 LDCs/SIDS + 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

Notes: OP4 = fourth SGP operational phase beginning July 1, 2008; OP3 = third SGP operational phase (fiscal years 2003–07) . Figures for OP4 are based on 984 projects for which data were available; figures for OP3 are based on data for 1,933 projects.

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

Implementation of the RAF has increased the workload of the SGP staff both at the country program and global program levels. Some of this workload is due to additional reporting requirements and the need to interact more intensively with government agencies and is thus likely to persist.

6.5 Cost-Effectiveness

This section describes the costs of the RAF and some aspects of likely cost-effectiveness. Observations are preliminary because the RAF is new. The section covers the costs of transition to the RAF and likely ongoing 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).

Design, Transition, and Administrative Costs

Transition costs from the old system to the RAF were expected to be larger than costs in an ordinary year. However, RAF design and development costs are difficult to separate from ordinary operating costs. Much of the work in developing the RAF is not visible in the accounts; this includes the costs of the Technical Working Group, the Inter-Agency RAF Task Force, and the midterm evaluation review team. The RAF was an important item in five Council meetings, two Paris consultations, and several subregional workshops.

Typically, organizations that operate a PBA system incur administrative costs ranging from about $1 million per year to about $1.5 million.[21] The GEF's experience in the first year of RAF implementation has been similar. Direct costs amounted to approximately $1.3 million (from the Council's approved budget for special initiatives) over several years for Secretariat staff costs (35 percent), World Bank Development Economics work (31 percent), and travel costs for Council meetings (22 percent). As of July 2008, there is a balance of $383,000 of the approved special initiatives budget of $1.716 million.

Ongoing maintenance of the RAF as a PBA system by the GEF Secretariat will be less costly than the transition has been.[22] Nevertheless, experience in other organizations has shown that a PBA system evolves continually because it is so central to the organization's strategy and priorities. For example, the RAF will probably be an important topic in replenishment consultations for the foreseeable future. Consequently, development costs will likely continue for some time.

Focal Point Consultation 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 OFPs have for awareness activities and consultation ($8,000) may be insufficient given the RAF's demands. These costs are not necessarily in proportion to the size of a country's portfolio or allocation; rather, a minimum level of discussion on RAF priorities is needed in all cases.

Agency Costs and Pipeline Costs

In the short term, costs have increased for the Agencies as they have taken on additional tasks in terms of explaining RAF arrangements and working within RAF constraints. There have been costs of revision and re-endorsement of projects in the pipeline to respond to the RAF. Some of these re-endorsements are likely one-time costs related to the establishment of the new system.

Agency fees were reduced to a flat percentage of the project budget in GEF-3, with no possibility for 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 such as the RAF. However, additional Agency costs are not all attributable to the RAF's institution, and 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 Agencies' incentives to undertake GEF work. For example, the new programmatic approaches encouraged by the GEF Secretariat are not fully covered by fees. Some of the cost pressure during the transition to the RAF, including some shifts in country concentration of resources, may have contributed to utilization problems.

Potential Funding Inefficiencies

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

The GEF manages a number of separate funding windows—the Special Climate Change Fund, the LDC Fund, the Adaptation Fund, and the Strategic Pilot on Adaptation on the same subject (taken from RAF funds). Adaptation activities can be financed through the pilot, the LDC Fund, the Special Climate Change Fund, and, in the near future, the Clean Development Mechanism, as well as through enabling activities or regular projects, but not through the climate change RAF. Some funds are accessed directly for country projects; for others, countries have to go through corporate programs, which may be regional or global, with separate procedures. The support fund for focal points is accessed through UNDP.

Some of these special funds are underutilized. Their relationship to the RAF, if any, is unclear. All involve different procedures and modalities. It is therefore not difficult to understand why some stakeholders find the whole funding situation nontransparent and inaccessible.

Opportunity Costs of Delay

GEF projects generally have high economic rates of return. When grants are delayed, the hidden costs (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 RAF's institution, 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 it improves the GEF's impact. It is too early to tell whether impact will in fact be better under the RAF. In the short term, the RAF has yielded benefits in terms of better planning and ownership in some countries. It has improved the predictability of funding for individual allocation countries. Additionally, 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, although 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.

These positive trends are offset by some unfavorable ones. The RAF may have encouraged a broader spread of resources, smaller projects, and an entitlement mentality among some member governments. These factors could inhibit the efficiency of GEF resource allocation. Also, 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 the money. In future implementation, 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 these.

Simulations of different replenishment amounts (from $900 million to the formula currently in place, to $1.0 billion, $1.5 billion, $1.8 billion, and $2.0 billion) show that if there is more money in the system, the RAF formula would push countries into the group allocation because of the 75 percent rule. Without this rule, but with more funds, many more countries could potentially receive a reasonable individual allocation. For example, with a group cutoff at $4 million, with the highest replenishment scenario, the GEF could provide sizable individual allocations to 87 countries in biodiversity and 70 countries in climate change (see Statistical Annex #1, "Simulations").

Notes

1. The breakdown for individual stakeholder groups agreeing with the statement included 53 percent among GEF focal points and government staff, 56 percent among NGO and private sector organization staff, and 77 percent among GEF Agency staff.

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

3. This represents 13 percent of MSP funds and 11 percent of FSP funds. However, these figures are overestimated, as not all of these projects will be under NGO management (since some have more than one executing agency); also, some of the classifications in the database erroneously cite NGOs rather than governmental entities.

4. 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. 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" (GEF 2007b).

5. This 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 GEF Agencies.

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

7. By stakeholder group, those finding the pipeline changes to be a hindering factor were 35 percent of focal points and government staff, 43 percent of NGO staff, 68 percent of GEF Agency staff, and 78 percent of Council members and alternates. Because the number of responses from Council members and alternates is low, the data for this group are not statistically comparable with those from the other groups listed.

8. 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 arrived at among the Agencies.

9. This excludes the 11 countries, mainly located in the Middle East and new to the GEF, that are only included in the climate change group allocation.

10. Countries for which the 50 percent rule has been lifted are China, Guatemala, Indonesia, Malaysia, the Marshall Islands, Mauritius, the Federated States of Micronesia, Mongolia, Palau, South Africa, Thailand, Turkey, Ukraine, and Vietnam.

11. 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 in place mainly for RAF priorities.

12. The Secretariat reports 33.8 months for 13 FSPs.

13. Mainstreaming Prevention and Control Measures for Invasive Alien Species into Trade, Transport and Travel across the Production Landscape (GEF ID 3254), implemented by UNDP in the Seychelles.

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

15. This was the case for Albania, Armenia, Djibouti, India, Indonesia, the Islamic Republic of Iran, Jordan, Mongolia, Myanmar, Namibia, Palau, the Philippines, Russia, Senegal, Tanzania, Ukraine, Uruguay, Uzbekistan, Vietnam, the Republic of Yemen, and Zambia.

16. When funded in the latter manner, these projects are recorded in the GEF database as country projects. Under GEF-4, the GEF Project Management Information System often records these under a financial break-up project classification according to the source of funds (GRE, country individual allocation, focal area, and so on), making statistical historical comparisons challenging.

17. For example, the point was made at subregional workshops in 2006 that "this fund pool [the GRE] is dedicated to projects that go beyond the country level and it is hoped that countries will contribute to regional projects."

18. Examples include for the GEF Pacific Alliance for Sustainability, the Carbon Benefits Project, and the Global Market Transformation for Efficient Lighting initiatives.

19. Of 259 terminal evaluation reviews available and 190 reviewed, 132 are for single country projects and 58 for global and regional projects (GEF EO 2008c). Monitoring and evaluation during implementation is naturally more challenging for multicountry projects (58 percent were rated as marginally satisfactory and above on this parameter, versus 75 percent of single country projects).

20. For example, funding for the top-ranked country, Brazil, would decrease from $63.0 million to $57.5 million.

21. Both IDA and ADB have estimated at different times that their PBA systems cost about $1.5 million per year. Small international financial institutions and funds—for example, CDB—spend less on their systems, which tend to be smaller and simpler.

22. Costs for RAF maintenance have, since 2007, been mainstreamed under the GEF Secretariat corporate budget—for example, the cost of the staff post covering RAF environment economics. Other costs related to RAF maintenance include outreach to countries. Training and awareness raising have mainly been handled through the Country Support Program for focal points, including participation from the GEF Secretariat. This represents a considerable indirect cost, given that the agenda for the subregional workshops has been dominated by RAF matters since 2006.

Bibliography

The GEF Council documents cited here (indicated with the designation "GEF/C.xx") are available on the GEF Web site, www.thegef.org, under Council/Council Meetings and Documents. GEF Evaluation Office documents can be found on the GEF Evaluation Office Web site, www.gefeo.org, under Publications.

Accra High Level Forum. 2007. "Summary of Partner Country Consultation on the Preparation of the Accra High Level Forum on Aid Effectiveness." www.afd.fr/jahia/Jahia/cache/offonce/lang/en/home/Efficacite_1/pid/1686;jsessionid=93824B8A76C693BE3E7DF065AA58DB46. Accessed March 18, 2009.

ADB (Asian Development Bank). 2000. "Performance-Based Allocation of ADF Resources." Board Working Paper 9-00.

———. 2001. "Policy on Performance-Based Allocation for Asian Development Fund Resources."

———. 2003. "ADF VIII Midterm Review: Chairperson's Summary of Discussions."

———. 2004a. "Increasing the Weight of Governance in the Revised PBA System." Prepared for Asian Development Fund IX Donors' Meeting, May 11–12, 2004.

———. 2004b. "Review of the Asian Development Bank's Policy on the Performance-Based Allocation of Asian Development Fund Resources."

———. 2006a. "2005 Annual Report on ADB's Country Performance Assessment Exercise."

———. 2006b. "Implementation of the Performance-Based Allocation Policy—A Review." Prepared for Asian Development Fund IX Midterm Review Meeting, December 4–6, 2006.

———. 2007. "Refining Performance-Based Allocation." Prepared for Asian Development Fund X Donors' Meeting, September 13–14, 2007.

———. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020.* Mandaluyong City, Philippines.

———. n.d. "Asian Development Fund: Fact Sheet on ADB's Performance-Based Allocation Policy." www.adb.org/ADF/PBA/fact-sheet.asp. Accessed March 10, 2009.

ADB (Asian Development Bank), Operations Evaluation Department. 2006. *Annual Evaluation Report: 2006 Annual Evaluation Review.* RPE: OTH 2006-11.

———. 2007a. "ADB's Japan Funds: Japan Fund for Poverty Reduction, Japan Special Fund, and Japan Scholarship Summary Report." JFS: OTH 2007-20.

———. 2007b. "ADB's Japan Funds: Japan Scholarship Program." SES: REG 2007-11.

———. 2007c. "ADB's Japan Funds: Japan Special Fund." Evaluation Study. SES: REG 2007-12.

———. 2007d. "Asian Development Fund VIII and IX Operations." SST: REG 2008-01.

———. 2007e. "Corrigendum to Document IN.98-07 Country Assistance Program Evaluation for Pakistan."

———. 2007f. "India." Country Assistance Program Evaluation. CAP: IND 2007-23.

———. 2007g. "Learning Curves: ADB and the Paris Declaration on Aid Effectiveness." December.

———. 2007h. "Learning Curves: ADB's Environmental Safeguards." January.

———. 2007i. "Learning Curves: Performance and Process Evaluations of ADB-GEF Projects." August.

———. 2007j. "Pakistan." Country Assistance Program Evaluation.

———. 2007k. "Special Evaluation Study on Long-Term Strategic Framework: Lesson from Implementation (2001–2006)." SST: REG 2007-38.

———. 2007l. "Sri Lanka Inclusive Development and Conflict Resolution: Major Challenges in the Future." Country Assistance Program Evaluation.

———. 2008a. "Learning Curves: ADB's Long-Term Strategic Framework: Lessons, 2001–2006." January.

———. 2008b. "Learning Curves: Asian Development Fund VIII and IX Operations—Targeting Poverty and Governance." January.

———. 2008c. "Learning Curves: Managing for Development Results in ADB." January.

AfDB (African Development Bank). 20007. ADF–11 Deputies Report. London.

AfDB (African Development Bank), Operations Evaluation Department. 2004. *Stepping up to the Future: An Independent Evaluation of African Development Fund VII, VIII and IX.*

Atkins, M., and A. Easter. 2000. *A Commonwealth Vulnerability Index for Developing Countries: The Position of Small States.* London: Commonwealth Secretariat.

Berridge, R. J., P. Ramani, and B. E. Young, eds. 2008. *Threatened Amphibians of the World.* Barcelona: Lynx Edicions, in association with IUCN, Conservation International and NatureServe.

Boisson de Chazournes, L. 2003. *The Global Environment Facility as a Pioneering Institution: Lessons Learned and Looking Ahead.* GEF Working Paper 19. www.gefweb.org/Outreach/outreach-PUblications/2003-11WP19.pdf. Accessed March 17, 2009.

Caribbean Conservation Association. 2004. "Report on Interventions Made at GEF Seminar on Resource Allocation Framework."

Castle, S., and K. Bradsher. 2008. "China's Shift on Food Was Key to Trade Impasse." *New York Times*, July 31.

CDB (Caribbean Development Bank). 1998. "Natural Disaster Strategy and Operational Guidelines."

———. 2000. "Index of Inherent Economic Vulnerability for Developing Countries." CDB Staff Working Paper No. 4/00.

———. 2007. "Review of the Special Development Fund (Unified) Resource Allocation System and the Management Response Thereto." SDF 6/3 SM-2.

Chanson, J., S. Stuart, N. Cox, B. Young, and M. Hoffmann. In press. "The Global Amphibian Assessment (GAA): History, Objectives and Methodology."

Clemencon, R. 2006. "What Future for the Global Environment Facility?" *Journal of Environment & Development* 15: 50.

DFID (UK Department for International Development). 1999. "Aligning Aid Strategies to Performance in Low Income Countries: Roundtable Discussion." London, March 3–4, 1999.

Easterly, W. R. 2001. *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics.* Cambridge, MA: MIT Press.

Eccles, S., and C. Gwin. 1999. *Supporting Effective Aid: A Framework for Future Concessional Funding of Multilateral Development Banks.* Overseas Development Council Policy Essay No. 23. Baltimore: Johns Hopkins University Press.

Eifert, B., and A. Gelb. 2005. "Coping with Aid Volatility." *Finance and Development Magazine* 42(3).

Eurodad (European Network on Debt and Development). 2006. "Role of Donors in Aid Volatility and How to Reduce It."

European Environment Agency. 2007. "Climate Change: The Cost of Inaction and the Cost of Adaptation." EEA Technical Report No 13. Copenhagen.

Evaluation Cooperation Group of the International Financial Institutions. 2007. *The Nexus Between Infrastructure and Environment.* http://siteresources.worldbank.org/EXTOED/Resources/nexus_infrastructure_environment_quicknote.pdf. Accessed March 17, 2009.

Executive Board of the UNDP (United Nations Development Programme) and of the UNPF (United Nations Population Fund). 1999. "Report on the First Regular Session 1999." www.undp.org/execbrd/html/dp99-8.html. Accessed March 18, 2009.

———. 2005. "Midterm Review of the Programming Arrangements for the Period 2004–2007." www.undp.org/execbrd/word/dp05-18.doc. Accessed March 18, 2009.

———. 2008. “Information on TRAC-2 Allocation and Methodology and Criteria for Establishing Fixed Lines in the Programming Arrangements.” www.undp.org/execbrd/word/dp08-14.doc. Accessed March 18, 2009.

Fedder, G. D. B. 2007. “Assessment of Global Marine Biodiversity Indicators for the Global Environment Facility Resource Allocation Framework (GEF RAF).” M.Sc. thesis. Bremen: University of Bremen, Faculty for Biology & Chemistry.

Freestone, D. 2004. Legal opinion from the GEF Acting Deputy General Counsel to the GEF CEO as to whether a GEF performance-based framework be consistent with the *GEF Instrument*, April 20, 2004.

GEF (Global Environment Facility). 1994. *Instrument for the Establishment of the Restructured Global Environment Facility*. Reprinted 2008. www.gefweb.org/uploadedFiles/GEF_Instrument_March08.pdf. Accessed March 13, 2009.

———. 1996. “Public Involvement in GEF-Financed Projects.” www.gefweb.org/Operational_Policies/Public_Involvement/public_involvement.html. Accessed March 13, 2009.

———. 2000. “Revised Guidelines for Additional Funding of Biodiversity Enabling Activities (Expedited Procedures).” www.gefweb.org/documents/enabling_activity_projects/documents/Revised_biodi_EA_guidlelines.pdf. Accessed March 24, 2009.

———. 2001. “The GEF Programmatic Approach: Current Understandings.” GEF/C.17.Inf.11.

———. 2002a. “Beijing Declaration of the Second GEF Assembly.” www.gefweb.org/Beijing_Declaration_-_English.pdf. Accessed March 13, 2009.

———. 2002b. “Draft Policy Recommendations Agreed as Part of the Third Replenishment of the GEF Trust Fund.”

———. 2002c. “Joint Summary of the Chairs, GEF Council Meeting October 14–15, 2002.” GEF/C.20.

———. 2002d. “Suggested U.S. Language for Performance-Based Allocations.” gefweb.org/GEF-3-4Replenishment/Reple_Documents/R.3.CRP.3_language--gef.pdf. Accessed March 13, 2009.

———. 2002e. “Summary of the Co-Chairs, Meeting on the Third Replenishment of the GEF Trust Fund.”

———. 2002f. “Summary of Negotiations on the Third Replenishment of the GEF Trust Fund.” GEF/C.20/4.

———. 2003a. “Issues Note: A Framework for Programming Resources for Enhanced Performance and Results at the Country Level.” GEF/C.21/8.

———. 2003b. “Joint Summary of the Chairs, GEF Council Meeting May 14–16, 2003.” GEF/C.21.

———. 2003c. “Joint Summary of the Chairs, GEF Council Meeting November 19–21, 2003. GEF/C.22.

———. 2003d. “Operational Procedures for the Expedited Financing of National Communications from Non-Annex I Parties.” GEF/C.22/Inf.16.

———. 2003e. “Performance Based Framework for Allocation of GEF Resources.” GEF/C.22/11.

———. 2004a. “Additional Issues for Operationalizing the GEF Resource Allocation Framework.” www.thegef.org/Whats_New/Issues_for_Operationalizing_the_GEF_RAF_Sept27.doc. Accessed March 13, 2009.

———. 2004b. “Annotated Provisional Agenda, Seminar on Resource Allocation Framework.” www.thegef.org/Whats_New/RAF_Annotated_Provisional_Agenda.doc. Accessed March 13, 2009.

———. 2004c. “GEF Resource Allocation Framework.” GEF/C.24/8.

———. 2004d. “Joint Summary of the Chairs, GEF Council Meeting May 19–21, 2004.” GEF/C.23.

———. 2004e. “Joint Summary of the Chairs, GEF Council Meeting November 17–19, 2004.” GEF/C.24.

———. 2004f. “Performance Based Allocation Framework for GEF Resources.” GEF/C.23/7.

———. 2005a. “Discussion Note on the Resource Allocation Framework.” Consultations on the Resource Allocation Framework, March 2005, Paris.

———. 2005b. *GEF and Small Island Developing States: How the Global Environment Facility Is Working with SIDS for a Sustainable Future.* www.gefweb.org/Outreach/outreach-PUblications/GEF_SIDS_ENG.pdf. Accessed March 17, 2009.

———. 2005c. “GEF Resource Allocation Framework.” GEF/C.27/Inf.8/Rev.1.

———. 2005d. “GEF Resource Allocation Framework: Equations and Weights.” www.thegef.org/Whats_New/RAF_Technical_Note_Equations_and_Weights.pdf. Accessed March 13, 2009.

———. 2005e. "GEF Resource Allocation Framework: GEF Benefits Index for Biodiversity (GBI_{BIO})." www.thegef.org/Whats_New/RAF_Technical_Note_5-Benefits_Index_for_Bio.pdf. Accessed March 13, 2009.

———. 2005f. "GEF Resource Allocation Framework: GEF Benefits Index for Climate Change (GBI_{CC})." www.thegef.org/Whats_New/RAF_Technical_Note_4_-_Assessment_of_Climate_Change_Benefits__May_4__2005.pdf. Accessed March 13, 2009.

———. 2005g. "GEF Resource Allocation Framework Operationalization." www.thegef.org/Whats_New/RAF_Technical_Note_6_Operationalization_of_the_RAF.pdf. Accessed March 13, 2009.

———. 2005h. "GEF Resource Allocation Framework: Public Disclosure of Indicators." www.thegef.org/Whats_New/GEF_RAF_Techncial_Note_No_2_Public_Disclosure.pdf. Accessed March 13, 2009.

———. 2005i. "GEF Resource Allocation Framework Technical Notes and Clarifications." GEF/C.25/Inf.10.

———. 2005j. "GEF Resource Allocation Framework: Threshold for Individual Country Allocations." www.thegef.org/Whats_New/RAF_Technical_Note_3_-_Threshold_Indiv_Ctry_Alloc.pdf. Accessed March 13, 2009.

———. 2005k. "Implementing the GEF Resource Allocation Framework." GEF/C.27/5/rev.1.

———. 2005l. "Joint Summary of the Chairs, GEF Council Meeting June 3–8, 2005." GEF/C.25.

———. 2005m. "Joint Summary of the Chairs, Special Meeting of the GEF Council August 31–September 1, 2005." GEF/C.26.

———. 2005n. "Non-Paper towards a Draft Decision on RAF by Interested Parties." www.thegef.org/Whats_New/RAF%20Non-paper%200303-05.pdf. Accessed March 17, 2009.

———. 2005o. "Note on the GEF Council Consultations on the Resource Allocation Framework." www.thegef.org/Whats_New/Note_on_Consultations_on_RAF.pdf. Accessed March 13, 2009.

———. 2005p. "Provisional Agenda: GEF Consultations on the Resource Allocation Framework."

———. 2005q. "Resource Allocation Framework." GEF/C.25/8.

———. 2005r. "Resource Allocation Framework Addendum." GEF/C.25/8/Add.1.Rev.1.

———. 2005s. "Secretariat Proposal on RAF." GEF/C.25/CRP.5.

———. 2005t. "Technical Paper on the GEF Resource Allocation Framework." GEF/C.26/2/Rev.1.

———. 2005u. "Working Draft of Council Decision on RAF Proposal by the Secretariat." GEF/C.25/CRP.1.

———. 2006a. "Chair's Summary of the Third GEF Assembly, Cape Town, South Africa, August 29–30, 2006." www.gefweb.org/3rd_assembly/chair's_summary.pdf. Accessed March 17, 2009.

———. 2006b."GEF Resource Allocation Framework: Guidelines for Country Operational Focal Points to Manage GEF Resources." www.gefweb.org/Operational_Policies/raf/documents/RAFguidelinesforOperationalFocalPointsEnglish.pdf. Accessed March 17, 2009.

———. 2006c. "GEF Resource Allocation Framework: Indicative Resource Allocations for GEF-4, for the Biodiversity and Climate Change Focal Areas." www.gefweb.org/uploadedFiles/Policies/Resource_Allocation_Framework/GEF-4_Indicative_Allocations/RAF_Public_Disclosure_Document_English_15Sep2006.pdf. Accessed March 17, 2009.

———. 2006d. "Minutes: Executive Coordinator Meeting, November 7, 2006."

———. 2006e. "Progress Report on Implementing the RAF." GEF/C.30/11.

———. 2006f. "Progress Report on Implementing the Resource Allocation Framework." GEF/C.28/12.

———. 2006g. "Roles and Comparative Advantages of the GEF Agencies." GEF/C.30/9.

———. 2006h. "Rules, Procedures and Objective Criteria for Project Selection, Pipeline Management, Approval of Sub-Projects, and Cancellation Policy." GEF/C.30/3.

———. 2006i. "Summary of Negotiations on the Fourth Replenishment of the GEF Trust Fund." GEF/C.29/3.

———. 2006j. "Summary of Negotiations on the Fourth Replenishment Agreement of the GEF Trust Fund." Revised. http://thegef.org/GEF-3-4Replenishment/Reple_Documents/SummaryofNegotiations_Revised_October2006.pdf. Accessed March 25, 2009.

———. 2007a. "Development of Country Strategies for GEF Programming." GEF/C.32/Inf.5.

———. 2007b. "GEF Communications and Outreach Strategy." GEF/C.32/8.

———. 2007c. "GEF Programming Report for the Period January 1–June 30, 2007." GEF/C.34/Inf.7.

———. 2007d. "GEF Project Cycle Corrigendum." GEF/C.31/7Corr.1.

———. 2007e. "Policies and Procedures for the GEF Project Cycle." www.gefweb.org/uploadedfiles/GEF_Project_Cycle_Policy_Paper_Oct29_07.pdf. Accessed March 17, 2009.

———. 2007f. "Progress Report on Implementing the RAF." GEF/C.31/Inf.9.

———. 2007g. "Progress Report on the Implementation of the RAF." GEF/C.32 /Inf.6/Rev.1.

———. 2007h. "Relations with the Conventions and Other International Institutions." GEF/C.32/4.

———. 2007i. *Rules of Procedure for the GEF Council.* www.gefweb.org/uploadedFiles/External_Affairs/Publications/Rules_of_Procedure2007.pdf. Accessed March 17, 2009.

———. 2007j. "Terms of Reference for the Mid-Term Review of the Resource Allocation Framework." Approved version. GEF/ME/C.32/6/Rev.1.

———. 2008a. "Annual Monitoring Review Report 2007." GEF/C.33/4.

———. 2008b. "Elaborating a Strategic Program to Scale-Up the Level of Investment in the Transfer of Environmentally-Sound Technologies." GEF/C.33/7.

———. 2008c. "Focal Area Strategies and Proposed Strategic Programs for GEF-5: Process Proposal." GEF/C.33/Inf.7.

———. 2008d. "From Projects to Programs: Clarifying the Programmatic Approach in the GEF Portfolio." GEF/C.33/6.

———. 2008e. "GEF Business Plan FY09–10 and FY09 Corporate Budget." GEF/C.33/11.

———. 2008f. "GEF Resource Allocation Framework: GEF-4 Indicative Resource Allocations for the Biodiversity and Climate Change Focal Areas Based on the Midterm Reallocation (Revised Version October 3, 2008)." www.gefweb.org/uploadedFiles/Policies/Resource_Allocation_Framework/RAF%20midterm%20reallocation_rev1.pdf. Accessed March 17, 2009.

———. 2008g. "GEF Resource Allocation Framework: Mid-Term Reallocation of GEF-4 Resources: A Technical Note." www.gefweb.org/uploadedFiles/Policies/Resource_Allocation_Framework/GEF-4_Indicative_Allocations/RAF%20midterm%20reallocation%20Technical%20Note%2007.31.08.pdf. Accessed March 17, 2009.

———. 2008h. "Management of the GEF Project Cycle Operation: A Review." GEF/C.34/Inf.4.

———. 2008i. "Manual for Calculating GHG Benefits of GEF Projects: Energy Efficiency and Renewable Energy Projects." GEF/C.33/Inf.18.

———. 2008j. "Operational Policies and Guidance for the Use of Non-Grant Instruments." GEF/C.33/12.

———. 2008k. "Progress Report on the Implementation of the RAF." GEF/C.33/Inf.4.

———. 2008l. "Progress Report on the Implementation of the RAF." GEF/C.34/Inf.10.

———. 2008m. "Relations with the Conventions." GEF/C.33/3/Rev.1.

———. 2008n. "Review of Administrative Expenses Allocated to GEF Implementing Agencies." GEF/C.33/8.

———. 2008o. "Rules for Utilization of RAF Resources by Group Allocation Countries after July 1, 2008." www.gefweb.org/uploadedFiles/Policies/Resource_Allocation_Framework/GEF-4_Indicative_Allocations/Rules%20for%20Group%20allocation%20countries%20from%2007.31.08.pdf. Accessed March 17, 2009.

———. 2008p. "Second Progress Report on the Implementation of the GEF Strategic Approach to Capacity Development." GEF/C.33/Inf.5.

———. 2008q. "Sub-Regional Workshop for GEF Focal Points in East & Southern Africa, Workshop Summary Report." www.gefweb.org/uploadedFiles/Windhoek%20Draft%20Workshop%20Summary_24%20July%2008_final_ENG.pdf. Accessed March 17, 2009.

GEF CEO (Global Environment Facility Chief Executive Officer). 2005. Letter to GEF Council, April 8, 2005. www.thegef.org/Whats_New/Letter_to_Council_RAF_Technical_Notes.pdf. Accessed March 17, 2009.

———. 2006a. Communication to Implementing and Executing Agencies on PIFs. December 14, 2006.

———. 2006b. 1st letter to focal points, March 7, 2006.

———. 2006c. 2nd letter to focal points. May 4, 2006.

———. 2006d. 3rd letter to focal points, August 8, 2006.

———. 2006e. 4th letter to focal points, October 5, 2006.

———. 2006f. 5th letter to focal points, December 15, 2006.

———. 2006g. 6th letter to focal points, December 15, 2006.

GEF Council Member, Belgium. 2004. Comments on the RAF. www.thegef.org/Whats_New/Belgium.pdf. Accessed March 18, 2009.

GEF Council Member, Bolivia. 2004. Comments on the RAF. www.thegef.org/Whats_New/Bolivia.pdf. Accessed March 18, 2009.

———. n.d. Letter to Council.

GEF Council Member, Canada. 2004. Comments on the RAF. www.thegef.org/Whats_New/Canada.pdf. Accessed March 18, 2009.

GEF Council Member, Colombia. 2004a. Comments on the RAF (June 29). www.thegef.org/Whats_New/PBA_Comments_-_Colombia_0629-04.pdf. Accessed March 18, 2009.

———. 2004b. Comments on the RAF (June 30). www.thegef.org/Whats_New/PBA_Comments_-_Colombia_0630-04.pdf. Accessed March 18, 2009.

———. 2004c. Comments on the RAF (November 3). www.thegef.org/Whats_New/Colombia.pdf. Accessed March 18, 2009.

GEF Council Member, Germany. 2004. Comments on the RAF. www.thegef.org/Whats_New/PBA_Comments_-_Germany.pdf. Accessed March 18, 2009.

GEF Council Member, India. 2004a. Comments on the RAF. www.thegef.org/Whats_New/PBA_Comments_-_India.pdf. Accessed March 18, 2009.

———. 2004b. Comments on the RAF on behalf of the constituency comprising Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka. www.thegef.org/Whats_New/India.doc. Accessed March 18, 2009.

GEF Council Member, Mexico. 2004. Comments on the RAF. www.thegef.org/Whats_New/MEXICO_RAF_GEF.doc. Accessed March 18, 2009.

GEF Council Member, the Netherlands. 2004. Comments on the RAF. www.thegef.org/Whats_New/PBA_Comments_-_Netherlands.pdf. Accessed March 18, 2009.

GEF Council Member, Pakistan. 2004. Comments on the RAF. www.thegef.org/Whats_New/PBA_Comments_-_Pakistan.pdf. Accessed March 18, 2009.

GEF Council Member, Spain. 2004. Comments on the RAF. www.thegef.org/Whats_New/Spain.pdf. Accessed March 18, 2009.

GEF Council Member, Switzerland. 2004. Comments on the RAF. www.thegef.org/Whats_New/Switzerland.pdf. Accessed March 18, 2009.

GEF Council Member, United Kingdom. 2004. Comments on the RAF. www.thegef.org/Whats_New/UK_1014-04.doc. Accessed March 18, 2009.

GEF Council Member, United States. 2004. Comments on the RAF. www.thegef.org/Whats_New/US.pdf. Accessed March 18, 2009.

GEF EO (Global Environment Facility Evaluation Office). 2006a. *Annual Performance Report 2004.* Evaluation Report No. 29.

———. 2006b. *The Role of Local Benefits in Global Environmental Programs.* Evaluation Report No. 30.

———. 2006c. "Monitoring: Overview of Approaches in the GEF Family."

———. 2007a. *Evaluation of the Experience of Executing Agencies under Expanded Opportunities in the GEF.* Evaluation Report No. 35.

———. 2007b. *GEF Country Portfolio Evaluation: Costa Rica (1992–2005).* Evaluation Report No. 32.

———. 2007c. "Joint Evaluation of the Activity Cycle: Priorities and Indicators for Global Environment Benefits from Biodiversity: The Current International Architecture." Impact Evaluation Information Document No. 5.

———. 2007d. *Joint Evaluation of the GEF Activity Cycle and Modalities.* Evaluation Report No. 33.

———. 2008a. "Annual Country Portfolio Evaluation Report—2008." GEF/ME/C.33/4.

———. 2008b. "Background and Elements for a GEF Monitoring and Evaluation Framework on Adaptation: Lessons from GEF Climate Change Adaptation Projects." www.gefweb.

org/uploadedFiles/Documents/LDCFSCCF_Council_Documents/LDCFSCCF4_April_2008/LDCF.SCCF.4.Inf.4%20M%20and%20E%20of%20Adaptation%20Projects%2003.21.08.pdf. Accessed March 17, 2009.

———. 2008c. *GEF Annual Performance Report 2007.* Evaluation Report No. 40.

———. 2008d. *GEF Country Portfolio Evaluation: Benin (1994–2007).* Evaluation Report No. 41.

———. 2008e. *GEF Country Portfolio Evaluation: Madagascar (1994–2007).* Evaluation Report No. 42.

———. 2008f. *GEF Country Portfolio Evaluation: Samoa (1992–2007).* Evaluation Report No. 37.

———. 2008g. *GEF Country Portfolio Evaluation: South Africa (1994–2007).* Evaluation Report No. 43.

———. 2008h. *Joint Evaluation of the GEF Small Grants Programme.* Evaluation Report No. 39.

GEF (Global Environment Facility) Implementing Agency Executive Coordinators. Summary of September 21, 2006 Meeting.

GEF M&E Unit (Global Environment Facility Monitoring and Evaluation Unit). 2004. "Review of GEF Engagement with the Private Sector: Final Report." GEF/C.23/Inf.4.

GEF NDI (Global Environment Facility National Dialogue Initiative). 2005. *GEF National Coordination—Lessons Learned.* www.gefcountrysupport.org/docs/4.pdf. Accessed April 1, 2009.

GEF RAF (Global Environment Facility Resource Allocation Framework) Implementation Team. 2006a. "Summary of the RAFT November 2005 Brainstorming Meeting."

———. 2006b. "Summary of the Second Meeting of the RAFT January 24, 2006."

———. 2006c. "Summary of the Third Meeting of the RAFT March 3, 2006."

———. 2006d. "Summary of the Fourth Meeting of the RAFT, March 8, 2006."

GEF (Global Environment Facility) Secretariat. 2005. "RAF Implications in the Biodiversity Focal Area Input from the GEF Biodiversity Task Force to the RAFT."

———. 2006. "GEF Resource Allocation Framework Frequently Asked Questions: General." http://cfapp2.undp.org/gef_dialogue/guidance/raffaqs.pdf. Accessed April 7, 2009.

———. 2007a. "FY 2007 GEF Annual Monitoring Review (AMR) Guidelines."

———. 2007b. "RAF at a Glance: GEF's Framework for Allocating Resources." www.gefweb.org/uploadedFiles/Policies/Resource_Allocation_Framework/RAF%20At%20A%20Glance%20Sept%2009%202007.pdf. Accessed March 17, 2009.

———. 2008a. "Annual Monitoring Review Report 2007." GEF/C.33/4.

———. 2008b. "Climate Change Mitigation Task Force Meeting September 18, 2008."

———. 2008c. "Management Response to the Annual Country Portfolio Evaluation Report—2008." GEF/ME/C.33/5.

———. 2008d. "Management Response to the GEF Annual Performance Report 2007." GEF/ME/C.33/3.

———. 2008e. "RAF Reallocation Scenarios." PowerPoint presentation, January 29, 2008.

———. n.d. "Toolkit to Access Financial Resources under the Country Support Program for Focal Points." www.gefweb.org/participants/focal_points/documents/COUNTRYSUPPORTPROGRAMTOOLKIT.April04.06-ENGLISH.pdf. Accessed March 17, 2009.

GEF STAP (Global Environment Facility Scientific and Technical Advisory Panel). 2004a. "A Conceptual Design Tool for Exploiting Inter-linkages between the Focal Areas of the GEF." GEF/C.24/Inf.10.

———. 2004b. "Statement of Julia Carabias, Chair of the Scientific and Technical Advisory Panel (STAP)." GEF/C.23/CRP.2.

———. 2007a. "STAP Summary Report: July 2007–October 2007." GEF/C.32/Inf.7.

———. 2007b. "Workshop Report: STAP Workshop on Small Island Developing States (SIDS), Groundwater and Interlinkages." GEF/C.31/Inf.8.

———. 2008a. "Carbon Dioxide Capture and Storage: Conclusions and Recommendations from a STAP Brainstorming Meeting, October 17–18, 2007." GEF/ME/C.33/Inf.14.

———. 2008b. "STAP Summary Report." GEF/C.33/Inf.11.

Gelb, A., B. Ngo, and X. Ye. 2004. "Implementing Performance-Based Aid in Africa: The Country Policy and Institutional Assessment." Africa Region Working Paper Series No. 77. Washington, DC.: World Bank.

IDA (International Development Association). 2000. "IDA Country Performance Rating Process: Annual Report 1999."

———. 2001a. "Adapting IDA's Performance-Based Allocations to Post-Conflict Countries." http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/performanceANDallocations.pdf. Accessed March 17, 2009.

———. 2001b. "IDA Allocations to Blend Countries." http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/blend%20countires.pdf. Accessed March 31, 209.

———. 2002. "Additional IDA Resources: Thirteenth Replenishment." IDA/SecM2002-0488.

———. 2003a. "Allocating IDA Funds Based on Performance: Fourth Annual Report on IDA's Country Assessment and Allocation Process." http://siteresources.worldbank.org/IDA/Resources/PBAAR4.pdf. Accessed March 17, 2009.

———. 2003b. "IDA's Performance-Based Allocation System: Current and Emerging Issues." IDA/R2003-0203.

———. 2004a. "Debt Sustainability and Financing Terms in IDA14: Further Considerations on Issues and Options." http://siteresources.worldbank.org/IDA/Resources/DebtSustainabilityNov04.pdf. Accessed March 17, 2009.

———. 2004b. "Disclosing IDA Country Performance Ratings." http://siteresources.worldbank.org/IDA/Resources/disclosingIDACPR.pdf. Accessed March 17.2009.

———. 2004c. "IDA's Performance-Based Allocation System: IDA Rating Disclosure and Fine-tuning the Governance Factor." http://siteresources.worldbank.org/IDA/Resources/PBAFINAL.pdf. Accessed March 17, 2009.

———. 2004d. "Supporting Small and Vulnerable States." http://siteresources.worldbank.org/IDA/Resources/SupportingSmallVulnerableStates.pdf. Accessed March 17, 2009.

———. 2005. "Country Policy and Institutional Assessments (CPIA): 2005 Assessment Questionnaire."

———. 2006a. "Country Policy and Institutional Assessments (CPIA): 2006 Assessment Questionnaire."

———. 200b6. "IDA's Performance-Based Allocation System: A Review of the Governance Factor." http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/73449-1164920192653/PBA.pdf. Accessed April 7, 2009.

———. 2007a. "Country Policy and Institutional Assessments: 2007 Assessment Questionnaire." http://siteresources.worldbank.org/IDA/Resources/CPIA-2007Questionnaire.pdf. Accessed March 17, 2009.

———. 2007b. "The Demand for IDA15 Resources and the Strategy for their Effective Use." http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/73449-1172525976405/3492866-1172526109259/MZFinancingRequirements.pdf. Accessed March 17, 2009.

———. 2007c. "Chairman's Summary IDA15 Deputies Meeting." http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/73449-1172525976405/3492866-1175095887430/ChairmanSummaryDCMeeting.pdf. Accessed March 17, 2009.

———. 2007d. "IDA's Performance-Based Allocation System: Simplification of the Formula and Other Outstanding Issues." http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/73449-1172525976405/3492866-1175095887430/PBA_Sept.2007.pdf. Accessed March 17, 2009.

———. 2007e. "IDA's Thirteenth Replenishment: A Retrospective Review."

———. 2007f. "Operations Policy and Country Services. Focus on Results: The IDA14 Results Measurement System and Directions for IDA15." http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/73449-1172525976405/3492866-1175095887430/IDA15Results.pdf. Accessed March 17, 2009.

———. 2007. "Selectivity and Performance: IDA's Country Assessment and Development Effectiveness." www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2007/03/01/000310607_20070301092100/Rendered/PDF/38851core.pdf. Accessed March 17, 2009.

———. n.d. “Country Policy and Institutional Assessment: Frequently Asked Questions.” http://go.worldbank.org/EEAIU81ZG0. Accessed March 17, 2009.

IFAD (International Fund for Agricultural Development). 2005. “Review of the Implementation of the Performance-Based Allocation System in IFAD.”

———. 2006. “Progress Report on Implementation of the Performance-Based Allocation System.” Rome.

IFAD and GEF (International Fund for Agricultural Development and Global Environment Facility). n.d. “IFAD/GEF Engagement Strategy for the Fourth Replenishment.”

IPCC (Intergovernmental Panel on Climate Change). 2007. “Summary for Policymakers.” In M. L. Parry, O. F. Canziani, J. P. Palutikof, P. J. van der Linden, and C. E. Hanson, eds., *Climate Change 2007: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change*, pp. 7–22. Cambridge, UK: Cambridge University Press.

Kaufmann, D., A. Kraay, and M. Mastruzzi. 2003. “Governance Matters III: Governance Indicators for 1996–2002.” Policy Research Working Paper No. 3106. Washington, DC: World Bank.

———. 2007. “The Worldwide Governance Indicators Project: Answering the Critics.” Policy Research Working Paper No. 4149. Washington, DC: World Bank.

———. 2008. “Governance Matters VII: Aggregated and Individual Governance Indicators, 1996-2007.” Policy Research Paper No. 4654. Washington, DC: World Bank.

Kaufmann, D., A. Kraay, and P. Zoido-Lobatón. 2002. “Governance Matters II: Updated Indicators for 2000–2001.” Policy Research Working Paper No. 2772. Washington, DC: World Bank.

Learning Group of Global Programs on Aid Effectiveness. n.d. “Learning Group of Global Programs on Aid Effectiveness.” http://siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1210008992554/4968817-1218029841627/Learning-Group-Final.pdf. Accessed March 25, 2009.

Multilateral Development Banks. 2005. “Multilateral Development Bank Technical Meeting on Performance Based Allocation Methods.” Information note on meeting held January 24–25, 2005.

———. 2006. “The Second Multilateral Development Banks Technical Meeting on Performance-Based Allocation (PBA) Methods.” Chairman’s summary on meeting held March 8–9, 2006.

Naidoo, R., A. Balmford, P. J. Ferraro, S. Polasky, T. H. Ricketts, and M. Rouget. 2006. “Integrating Economic Costs into Conservation Planning.” *Trends in Ecology & Evolution* 21(12): 681–87.

Namibia. 2008. Statement on Behalf of the African Group on Agenda Item 4.16, Guidance to the Financial Mechanism of the Convention. Bonn: Conference of the Parties to the Convention on Biological Diversity.

OECD (Organisation for Economic Co-operation and Development). 2003. *Harmonising Donor Practices for Effective Aid Delivery.* DAC Guidelines and Reference Series. Paris.

———. 2006. “Declaration of Integrating Climate Change Adaptation into Development Co-operation.” www.oecd.org/dataoecd/44/29/36426943.pdf. Accessed March 30, 2009.

OECD DCD-DAC (Organisation for Economic Co-operation and Development Development Co-operation Directorate). 2008a. “DAC List of ODA Recipients Used for 2008, 2009 and 2010 Flows.” www.oecd.org/dac/stats/daclist. Accessed March 10, 2009.

———. 2008b. “Are We Ready for Accra…?” *DACnews* July. www.oecd.org/dataoecd/47/42/41018694.htm. Accessed March 10, 2009.

———. 2008c. *Scaling Up: Aid Fragmentation, Aid Allocation and Aid Predictability: Report of 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans.* www.oecd.org/dataoecd/37/20/40636926.pdf. Accessed March 10, 2009.

———. n.d. “Paris Declaration: 12 Indicators of Progress.” www.oecd.org/dataoecd/57/60/36080258.pdf. Accessed March 17, 2009.

Parish, F., A. Sirin, D. Charman, H. Joosten, T. Minayeva, and M. Silvius, eds. 2007. “Assessment on Peatlands, Biodiversity and Climate Change: Executive Summary.” Kuala Lumpur: Global Environment Centre and Wageningen, the Netherlands: Wetlands International.

Poland Focal Point. 2007. Letter to GEF CEO, January 4, 2007.

Reisen, H. 2008. "Chapter 2. Ownership in the Multilateral Development-Finance Non-System." In *Financing Development 2008: Whose Ownership?* Paris: Organisation for Economic Co-operation and Development Development Centre.

Schuerch, W. E. (U.S. Treasury). 2003. Letter to GEF Council, October 16, 2003.

Udvardy, M. 1975. *A Classification of Biogeographically Provinces of the World.* Occasional Paper No. 18. Morges, Switzerland: International Union for Conservation of Nature and Natural Resources.

UNCBD (United Nations Convention on Biological Diversity). 2006. "Report of the Third Meeting of the Conference of the Parties to the Convention on Biological Diversity Serving as the Meeting of the Parties to the Cartagena Protocol on Biosafety." UNEP/CBD/BS/COP-MOP/3/15. www.cbd.int/doc/meetings/bs/mop-03/official/mop-03-15-en.pdf. Accessed March 30, 2009.

———. 2008a. "Decisions Adopted by the Conference of the Parties to the Convention on Biological Diversity at Its Ninth Meeting." www.cbd.int/doc/decisions/cop-09/full/cop-09-dec-en.pdf. Accessed March 30, 2009.

———. 2008b. "Report of the Fourth Meeting of the Conference of the Parties to the Convention on Biological Diversity Serving as the Meeting of the Parties to the Cartagena Protocol on Biosafety." UNEP/CBD/BS/COP-MOP/4/18. www.cbd.int/doc/meetings/bs/mop-04/official/mop-04-18-en.pdf. Accessed March 18, 2009.

———. 2008c. "Review of Implementation of Articles 20 and 21—Review of the Effectiveness of the Financial Mechanism." UNEP/CBD/COP/9/INF/20. www.cbd.int/doc/meetings/cop/cop-09/information/cop-09-inf-20-en.pdf. Accessed March 18, 2009.

UNCBD (United Nations Convention on Biological Diversity) Executive Secretary. 2006. Letter to GEF CEO, December 22, 2006.

UNDP (United Nations Development Programme) Oslo Governance Centre and CMI (Chr. Michelsen Institute). 2007. *Governance Assessments and the Paris Declaration: Opportunities for Inclusive Participation and National Ownership.* www.undp.org/oslocentre/docs07/BergenSeminar.pdf. Accessed March 17, 2009.

UNEP (United Nations Environment Programme). 2008. "Summary Report of the STAP Meeting 9–12 April, 2008." GEF/C.33/Inf.13.

UNDG (United Nations Development Group). "Delivering as One." www.undg.org/?P=7. Accessed March 17, 2009.

UNEP (United Nations Environment Programme) Executive Director. 2007. "Proposal of the Executive Director of UNEP on Enhancing the Impact of the Scientific and Technical Advisory Panel." GEF/C.31/4.

———. 2008. "Proposal of the Executive Director of UNEP on the Reconstitution of STAP." GEF/C.33/13/Rev. 1.

UNFCCC (United Nations Framework Convention on Climate Change). 2008a. "Nairobi Work Programme on Impacts, Vulnerability and Adaptation to Climate Change." http://unfccc.int/documentation/documents/advanced_search/items/3594.php?such=j&symbol="FCCC/SBSTA/2008/L.13/Rev.1"#beg. Accessed March 18, 2009.

———. 2008b. "Report of the Conference of the Parties on Its Thirteenth Session," Addendum Part Two. http://unfccc.int/resource/docs/2007/cop13/eng/06a01.pdf. Accessed March 18, 2009.

UNFCCC (United Nations Framework Convention on Climate Change) Secretariat. 2004. Letter to GEF Acting Deputy CEO on RAF's consistency with the conventions, eligibility, indicators for climate change, and availability of data. www.thegef.org/Whats_New/UNFCCC.doc. Accessed March 17, 2009.

United Nations General Assembly Economic and Social Council. 2008. "Summary by the President of the Economic and Social Council of the Special High-Level Meeting of the Council with the Bretton Woods Institutions, the World Trade Organization and the United Nations Conference on Trade and Development." http://daccessdds.un.org/doc/UNDOC/GEN/N08/347/45/PDF/N0834745.pdf?OpenElement. Accessed March 18, 2009.

Universal Ecological Fund (FEU-US), World Wide Fund for Nature (WWF), Birdlife International, Conservation International, and the Nature Conservancy. 2008. "The Impact of the Global Environment Facility's Resource Allocation Framework on Civil Society Organizations, Preliminary Report."

UNJIU (United Nations System Joint Inspection Unit). 2007. "Results-Based Management in the United Nations in the Context of the Reform Process." JIU/rep/2006/6. Geneva.

Vogt, W. P. 1993. *Dictionary of Statistics and Methodology: A Nontechnical Guide for the Social Sciences.* Newbury Park, CA: Sage.

Watson, R. T., I. R. Noble, B. Bolin, N. H. Ravindranath, D. J. Verardo, and D. J. Dokken, eds. 2000. *Land Use, Land-Use Change, and Forestry: A Special Report of the Intergovernmental Panel on Climate Change.* Cambridge, UK: Cambridge University Press.

Wiser, G. M. 2007. "Legal Analysis of the GEF Resource Allocation Framework." Washington, DC: Center for International Environmental Law.

Wood, B., D. Kabell, F. Sagasti, and N. Muwanga. 2008. "Synthesis Report on the First Phase of the Evaluation of the Implementation of the Paris Declaration." Copenhagen.

World Bank. 1998. *Assessing Aid: What Works, What Doesn't, and Why.* New York: Oxford University Press.

———. 1999. "Governance Matters." Policy Research Working Paper 2196. Washington, DC.

———. 2004. "Country Policy and Institutional Assessments: An External Panel Review Panel Recommendations and Management Follow-up." http://siteresources.worldbank.org/IDA/Resources/CPIAExpPanRepSecM2004-0304.pdf. Accessed March 17, 2009.

———. 2005. "Governance Matters IV: Governance Indicators for 1996–2004." Policy Research Working Paper 3630. Washington, DC.

———. 2006a. "Governance Matters V: Aggregate and Individual Governance Indicators for 1996–2005." Policy Research Working Paper 4012. Washington, DC.

———. 2006b. "OP 3.10, Annex D: IBRD/IDA Countries: Per Capita Incomes, Lending Eligibility, and Repayment Terms." In *The World Bank Operational Manual: Operational Policies.* http://go.worldbank.org/0BM4HLLCB0. Accessed March 18, 2009.

———. 2007. "Governance Matters VI: Aggregate and Individual Governance Indicators for 1996–2006." Policy Research Working Paper 4280. Washington, DC.

———. n.d. "GMR 2008 Fact Sheet: Scaling Up Aid: Opportunities and Challenges in a Changing Aid Architecture." http://go.worldbank.org/F6Z5B2E6X0. Accessed March 17, 2009.

World Bank, Independent Evaluation Group (IEG) 2006. *Engaging with Fragile States: An IEG Review of World Bank Support to Low-Income Countries under Stress*. Washington, DC.

World Bank, Operations Evaluation Department (OED). 2001. "IDA Review. International Development Review of the Performance-Based Allocation System, IDA 10-12."

World Bank and IMF (International Monetary Fund). 2006. *Global Monitoring Report 2006: Strengthening Mutual Accountability—Aid, Trade and Governance.*

———. 2007. *Global Monitoring Report 2007: Millennium Development Goals: Confronting the Challenges of Gender Equality and Fragile States.*

———. 2008. *Global Monitoring Report 2008: MDGs and the Environment: Agenda for Inclusive and Sustainable Development.*

Web Sites

ATLAS.ti. www.atlasti.de.

Environmental Vulnerability Index. www.vulnerabilityindex.net/.

FishBase. www.fishbase.org.

IUCN Red List. www.iucnredlist.org/.

Ocean Biogeographic Information System. www.iobis.org/.

KGSMapper. http://drysdale.kgs.ku.edu/website/Specimen_Mapper/.

Marine Mammals of the World. http://nlbif.eti.uva.nl/bis/marine_mammals.php?menuentry=atlas.

National Center for Ecological Analysis and Synthesis, A Global Map of Human Impacts to Marine Ecosystems. www.nceas.ucsb.edu/GlobalMarine.

Old Dominion University College of Sciences Global Marine Species Assessment. www.sci.odu.edu/gmsa/.

Reefbase. www.reefbase.org/global_database/default.aspx?section=r5).

Sea Around Us Project. www.seaaroundus.org/distribution/search.aspx.

United Nations Environment Programme World Conservation Monitoring Centre. www.unep-wcmc.org/.

World Wildlife Fund, Marine Ecoregions of the World. www.worldwildlife.org/MEOW/.

Annex: Management Response

This annex presents the management response to the executive summary of this report, which was presented to the GEF Council in November 2008 as GEF/ME/C.34/2. Minor editorial corrections have been made.

This is the management response to document GEF/ME/C.34/2, Midterm Review of the Resource Allocation Framework, undertaken by the GEF Evaluation Office. The overall objective of the mid-term review was to “evaluate the degree to which resources have been allocated to countries in a cost-effective manner based on global environmental benefits and country performance,” with the following three sub-objectives: (i) to evaluate the extent to which the design of the resource allocation framework (RAF) is able to facilitate maximization of the impact of scarce GEF resources to enhance global environmental benefits; (ii) to assess the extent to which the early implementation of the RAF is providing countries with predictability and transparency as well as country-driven approaches to improve the potential for delivery of global environmental benefits; and (iii) to compare the design and implementation of the RAF with the resource allocation systems of other multilateral agencies.

The review focuses on three major phases of the RAF experience: (i) design and approval from August 2002 to August 2005; (ii) planning for implementation from August 2005 to June 2006; and (iii) implementation to mid-point allocation from July 2006 to July 2008.

The management response has been prepared by the GEF Secretariat, with comments received from the GEF Agencies.1 The GEF plays a unique role among global multilateral institutions with a particular mandate to assist developing countries generate global environmental benefits. It is the financial mechanism of four multilateral environmental conventions. It is a networked partnership, depending upon 10 Agencies to work with eligible countries to develop and implement GEF-financed activities. The design and implementation of the RAF has been a major challenge facing the GEF over the last six years. The RAF represents a fundamental change in GEF business practices in the focal areas of climate change and biodiversity. Instituting this fundamental change through a complex network partnership is bound to have been a learning experience with positives and negatives. The mid-term review of the RAF provides us with a good opportunity to take stock of this experience, benefit from its conclusions and recommendations, and move forward to further refine the programming framework of the GEF to meet the goals of all its partners.

We are in general agreement with the four recommendations emerging from the review, and consider them to provide a sound basis for further development of the RAF. Some of the conclusions of the review, however, need to be placed and interpreted within their proper contexts.

A.1 Findings and Conclusions

We are pleased with the review's overall conclusion that the "RAF has, overall, been implemented in accordance with Council decisions." As the review underscores, the shift to a new mode of allocating and programming resources has been challenging for the GEF and its Agencies. It is our view, that to a large extent, the rigid rules of the RAF design contributed significantly to difficulties in the operational phase.

Conclusion 1: The GEF is operating in circumstances which increase the need to purposefully allocate scarce resources

We are in overall agreement with the above conclusion. However, as the GEF looks forward, it is also important to note that we need to find ways to allocate resources that are responsive to the GEF mandate to deal with global environmental commons in its different focal areas. In addition, we need to take into consideration the level of resources available and the large number of eligible countries to allocate resources not only purposefully, but also pragmatically. The future evolution of the allocation system has to reflect the networked structure of the GEF with 10 Agencies, its fundamental obligations to conventions, and the particular needs of least-developed countries.

Conclusion 2: Data and Indicators for assessing global environmental benefits used in the RAF reflect the best available information today, with some gaps which should be addressed over time

We are pleased with the conclusion that the indices for biodiversity and climate change in general reflect the best scientific data currently available. It is interesting to note that the Delphi experts experienced the same quandaries faced by the RAF team with regard to the choice of indicators, weights, and methodologies. We intend to continue to improve the methodology and the indicators as better data becomes available, both in biodiversity and climate change -- in biodiversity with regard to marine ecosystems, and in climate change with regard to land use, land use change and forestry, and adaptation – and will engage with experts in the Agencies, STAP, NGOs and research organizations in this endeavor.

Conclusion 3: The RAF does not provide effective incentives to improve performance

The above conclusion must be regarded in the general framework of how performance is usually included in a resource allocation system. First, resource allocation systems are primarily designed to help direct scarce resources towards generating benefits in the scope of the institution's mandate. The GEF's mandate is to provide assistance to developing countries to generate global environmental benefits. Second, performance is usually included in the allocation framework to manage risk, i.e., to influence the resource allocation at the margin towards countries where conditions for success are better. Third, allocation systems are based on relative ranking of both benefits and performance. At the extreme, for example, if all countries improve their performance, with no change in benefits, the allocations would remain the same. To make a resource allocation system primarily driven by performance is to risk misdirection of resources with respect to the institution's overall mandate.

We note the review's concern with regard to the lack of a clear understanding of what performance means in the minds of several stakeholders. The review also notes that the performance of the environmental portfolio has a relative low weight in the performance indices (5% for ongoing GEF projects) thereby implying that improving the performance of this portfolio will lead to a very limited increase of the allocation. Allocation systems are usually forward-looking with regard to performance, usually providing a higher weight for existing institutional and policy frameworks that reflect the potential for future performance, and therefore a lower weight for past performance, usually reflected through portfolio performance. The GEF RAF very much reflects the approach with regard to inclusion of performance in other allocation systems, though the weight of portfolio performance is at the lower range when compared to other systems.

In closing, we do think that, in the RAF, performance does matter on the margin with regard to influencing allocations. The more relevant question to ask is whether the overall level of resources available under the GEF really provides strong incentives to countries to improve performance with regard to their respective environmental institutions and policies.

Conclusion 4: Unclear guidelines for the group allocation system in the RAF have limited access for countries with a group allocation in the first period of the RAF

The group allocation system was conceived to provide flexibility to the RAF system. Historically, not all eligible countries have requested GEF funding during a replenishment period. A group allocation system, it was thought, would provide the flexibility to program several countries to the ceiling of the group, while some others may not request GEF funding. However, programming the group has been a challenge, particularly to ensure that countries that request funding do get the minimum guaranteed of $1 million in each focal area.

The Secretariat has taken a pragmatic, as well as a proactive, approach to this challenge. In order to ensure that first-comers do not garner all resources, the Secretariat has adopted a phased tactic to ensure that group countries utilize their allocations. Countries can submit proposals requesting up to $1 million for each country until the end of December 2008. These proposals will be reviewed for their strategic fit and technical merits prior to any approval. After that, the resources in the group allocation will be programmed through a batch review of request for proposals up to the ceiling of the group for each country. While the evolution of such an approach may have created confusion among several stakeholders, we think that it is an equitable and pragmatic way to program countries in the group.

Conclusion 5: Complexity of implementation rules in the RAF does not provide encouragement for flexible and dynamic use of resources for a relatively small GEF funding

We are in agreement with this finding that some of the rules of the RAF have reduced the flexibility in implementation. For the small level of funding available in the GEF, the rules are particularly onerous. Indeed, as the review points out, the 50 % rule does not serve as a strong incentive for performance improvement at mid-point; nor does it serve to improve liquidity.

We also agree with the finding that the RAF needs to have rules for re-allocating unutilized allocations in the crucial last year of GEF-4 in order to reduce the amount of un-programmed resources carried over to GEF-5. We will review the re-allocation practices in other institutions and propose an approach to the Council in Spring 2009.

Conclusion 6: The design of the RAF are far too complex for a network partnership like the GEF,

and guidelines and support have not succeeded in making the RAF transparent and accessible

We are in agreement with the finding that the design of the RAF is too complex to be communicated easily. We are, however, not in agreement that implementation practices and the corporate reforms and requirements have resulted in slow utilization of funds.

The RAF implementation team was very aware that the introduction of a complex instrument such as the RAF would need a smooth transition to GEF-4. Steps were taken to inform countries of the arrangements to operate under the RAF with the issuance of guidelines in May 2006 when countries were also requested to provide an initial list of project concepts by September 15, 2006. This was, of course, in parallel with the series of regional workshops to roll-out the RAF.

In practice, why was the transition not as smooth as expected? When the project endorsement letters began arriving at the Secretariat during September 2006, the Secretariat was concerned that many projects were no longer in line with country priorities, or no longer provided the best fit with the emerging GEF-4 strategic priorities. In order to ascertain the evolving priorities of countries and to ensure that concepts under development would fit within the GEF-4 priorities, the Secretariat had teleconference discussions with over 120 countries during October 2006 – April 2007. This process was followed by a close monitoring by the Secretariat of the RAF programming rates through direct engagement with the countries. As the review notes, this exercise strained the resources of the Secretariat.

In parallel with the above effort to reach out to countries, the Secretariat also engaged in an exercise to deal with an oversized project pipeline of 177 concepts amounting to about $1.5 billion, or nearly half of the GEF-4 replenishment. Given the historical nature of the pipeline, many of the concepts were outdated and did not fit with the evolving focal area strategies and/or not in consonance with the country allocations under the RAF. The re-pipelining effort was necessary in order to reduce the pipeline overhang to nearly half its original size so that innovative new proposals that reflect both the GEF priorities and the countries allocations could be approved for further preparation. Needless to say, the process was a little tumultuous, but was necessary in order to "cut the coat according to the cloth.

The mid-term review also points to the GEF-4 reform agenda as a significant cause of slow utilization of funds in the focal areas under the RAF. First, the utilization of funds has to be carefully interpreted. The simple fact is that the GEF cannot program ahead of availability of funds, meaning that the Council just cannot approve work programs if there are no funds in the GEF Trust Fund. Though the GEF-4 phase began on July 1, 2006, it became effective only in February 2007. Until June 3, 2008, over a period of 17 months, nearly a third of the resources have been utilized in each of the climate change and biodiversity focal areas. The Secretariat and the Agencies are now on target to program about half the resources in both the focal areas by November 2008, i.e., over 21 months since funds became available. Therefore, closer analysis reveals that the programming rate is close, or even marginally faster than, what can be expected vis-à-vis the availability of funds.

The steps taken under the reform process were practical responses, approved by Council, to issues identified in a series of reports from the GEF Evaluation Office. The evaluation of the GEF project activity cycle, in particular, led to the revamping of the project cycle that was approved by the Council in June 2007. The fundamental changes in policies and operational procedures, combined with the transition to programming under the RAF for two focal areas, while posing some early difficulties, were necessary in order to improve the effectiveness of the GEF. In fact, the new project cycle, where resources are marked as utilized at the point where project identification forms (PIFs) are approved by the Council, provides an early guarantee to a recipient country regarding the feasibility of the concept and the availability of resources. Similarly, other reforms have established a better and transparent operating environment for different GEF stakeholders. It was inevitable that the early period of dealing with this transition would pose difficulties. However, it is our judgment that the system is now settling down as the different players have become familiar and comfortable with the revised policies and procedures.

Conclusion 7: The RAF has increased country ownership in countries with an individual allocation and has had a neutral or detrimental effect on country ownership in countries with a group allocation

We are pleased with the review's finding that the RAF has increased country ownership of GEF-financed activities, particularly in those countries with individual allocations. We are not surprised that country ownership is relatively weak in countries in the group that expect to get very little resources from the GEF. We hope to work with the Council in refining the RAF such that country ownership becomes a strong feature of GEF-financed activities across all recipient countries.

We share the concern raised by the review that in majority of countries the involvement of NGOs, and the private sector is limited, or even non-existent, in government led consultations on GEF programming. The Secretariat and the Agencies will continue to work through our corporate programs such as the regional consultations and national dialogue initiatives to continue to encourage broader stakeholder involvement in GEF-financed activities. Again, it is impractical to expect wide-ranging consultative processes in countries that expect to receive very little resources from the GEF.

We remain concerned that the RAF has restricted the potential for the private sector to access GEF funding, considering the need to engage the private sector in maximizing positive impact on the global environment. We believe that the continuation of the Earth Fund mechanism to enable the private sector to participate in the GEF is vital to achieve far greater leverage of and returns on GEF resources.

We agree with the mid-term review's view that the concept of country ownership contains some intrinsic tensions. Country programming cannot be solely driven by national priorities; it also has to respond to global priorities established by the GEF Council, reflecting the mandate of the GEF. The challenge for the GEF is to identify, in consultation with eligible countries, those activities that meet national priorities while delivering global environmental benefits.

Conclusion 8: The exclusions did not function well and may have diminished the effectiveness of the GEF in the delivery of global and regional environmental benefits

We do not share the definite conclusion as stated above. It is true that the exclusions of 5% for global and regional projects do not fully reflect the historical shares in either of the focal areas. However, there has been a long-standing concern, expressed by several recipient countries that multi-country projects may not fully reflect the priorities of the participating countries. In order to address this issue, during the design of the RAF, Council agreed to limit the exclusions under the RAF to 5% for the global and regional projects in each of the focal areas, with the understanding that a significant share of resources for participating in multi-country projects would be generated from the allocations of the participating countries. A share of the exclusion would be directed towards global projects, while multi-country regional projects would be programmed from a combination of country allocations and resources from exclusions.

The Secretariat, together with the Agencies, has been implementing the above-mentioned approach, in order to ensure that multi-country projects are really country-driven. While such an approach may have affected the implementation of projects through particular GEF Agencies, the participating countries have often expressed a stronger ownership for the projects that they are involved in. In the final analysis, multi-country projects with country ownership not only reflect priorities of the countries, but are also better positioned to deliver project benefits. However, overall, it remains true that given the low base-level of resources available for the focal areas, the resources available through the 5% exclusions are too small for any meaningful interventions through global and regional projects.

Regarding the "taxation" of focal areas for funding the corporate and global activities, it reflects the approach suggested by the donors during the fourth replenishment negotiations. We hope to work with the donors during future replenishments to fund such activities without taxing the focal areas.

Similarly, for the Small Grants Program, under the RAF it was agreed by the Council that funding would be from a combination of core funds (largely directed towards LDCs and SIDS) and contributions from focal area allocations of participating countries, particularly those with individual allocations. It was also agreed by the SGP Steering Committee that there was a need to limit the contributions from those countries contributing from their country allocations to their respective SGP activities, so that a significant share of the resources would continue to be programmed for focal area activities. Hence the need for managing the country contributions to SGP. The SGP Steering Committee will revisit the necessity of country strategies for country allocations to the RAF if the country already has a SGP strategy.

A.2 Recommendations

We are in overall agreement with the four recommendations emerging from the review, and look forward to guidance from the Council in following up to the recommendations. As part of the management response, we would like to suggest some approaches towards follow-up.

Recommendation 1: Reallocation of unused funds should be allowed in the last year of GEF-4

We agree with the review's finding that the GEF and its Agencies should ensure that very limited unused resources be carried forward into GEF-5. While we do not foresee any overall underutilization issues, we have to be prepared for cases where several countries may not be able to utilize their respective allocations by the end of GEF-4 (June 30, 2010). We will take stock of the programming situation by December 31, 2008, and make a proposal to the Council at its Spring 2009 meeting for a reallocation of funds for programming during the last year of GEF-4 (July 1, 2009 – June 30, 2010).

Recommendation 2: The last phase of GEF-4, including reallocation of funds, should be imple-

mented with full public disclosure, transparency, participation and clear responsibilities.

We could not agree more with the above recommendation. We will establish an inter-agency process to develop proposals for reallocation and reprogramming for the consideration of the CEO. In addition to electronic communications, constituency meetings, etc. we will also employ the inter-agency process as a means to disseminate information rapidly through participating Agencies and countries.

Recommendation 3: Implementation rules need to be simplified

We agree with the need for simplification of processing. We have already established a moratorium on additional requirements for project identification and formulation for the remainder of GEF-4. We will also take a proposal to the Council in Spring 2009 to further simplify the requirements for medium-sized projects.2

As the report recommends, it is important for the countries to reflect national priorities, but we have also got to identify where pursuit of those national priorities can deliver global benefits in accordance with GEF priorities. Such an approach is essential if the GEF is to maintain its mandate among different funding sources.

Several issues have been raised with regard to the SGP and programming under the RAF. The SGP Steering Committee will revisit those issues in the context of the mid-term review, and will inform the Council in Spring 2009 regarding the steps taken.

Recommendation 4: Steps to improve RAF design and indices for GEF-5 should be taken as of now.

The mid-term review has provided several forward looking suggestions for improving the RAF design before implementation of GEF-5. These include: (i) improvement of the global benefits indices and their weights; (ii) increase of the weight of the environmental portfolio performance; (iii) improvement of predictability and cost-benefits for the group allocation; (iv) reconsideration of ceilings and floors; (v) recognition of transboundary global environmental problems; and (vi) expanding the RAF to one integrated allocation for all focal areas. The review provides detailed suggestions for each of the above areas.

The introduction of the RAF was a fundamental change in the GEF's way of doing business. Relative to other institutions with allocation systems, the GEF is straitjacketed in many ways. It has a lower level of resources, dispersed across six different focal areas, and programmed across more than 160 countries. The GEF is a financial institution of four multilateral environmental conventions with the obligation to support eligible countries with the fundamental requirements of each one of those conventions. Eligible countries prepare and implement GEF projects through 10 Agencies. Therefore, it is not surprising that both the design and the implementation of the RAF were difficult experiences for the GEF and its different stakeholders. If a GEF-wide RAF is implemented, the Secretariat agrees with the mid-term review's finding that there is a clear need to strengthen the Secretariat to be able to play a stronger coordinating role in programming among GEF Agencies and recipient countries, in line with findings mentioned in paragraph 109 of the review regarding staff resources of comparable multilaterals with resource allocation systems such as IFAD and the Global Fund.

Notes

1. The preparation of this management response has been under a very tight deadline. The GEF Evaluation Office distributed to the Agencies and the Secretariat a Working Document on the RAF midterm review on September 30, 2008. The Evaluation Office distributed a revised version of the review on October 14, 2008. The Secretariat prepared a draft management response and distributed it to the Agencies for comments on October 14, 2008, with request for comments by October 15, 2008 in order to meet the deadline for web-posting of documents.

2. Currently, the requirements for medium-sized projects are little different from that of full-sized projects.

GEF Evaluation Office Publications

Number	Title	Year
Evaluation Reports		
47	Midterm Review of the Resource Allocation Framework	2009
46	GEF Annual Report on Impact 2007	2009
45	GEF Country Portfolio Evaluation: Cameroon (1992–2007)	2009
44	GEF Annual Country Portfolio Evaluation Report 2008	2008
43	GEF Country Portfolio Evaluation: South Africa (1994–2007)	2008
42	GEF Country Portfolio Evaluation: Madagascar (1994–2007)	2008
41	GEF Country Portfolio Evaluation: Benin (1991–2007)	2008
40	GEF Annual Performance Report 2007	2008
39	Joint Evaluation of the GEF Small Grants Programme	2008
38	GEF Annual Performance Report 2006	2008
37	GEF Country Portfolio Evaluation: Samoa (1992–2007)	2008
36	GEF Country Portfolio Evaluation: The Philippines (1992–2007)	2008
35	Evaluation of the Experience of Executing Agencies under Expanded Opportunities in the GEF	2007
34	Evaluation of Incremental Cost Assessment	2007
33	Joint Evaluation of the GEF Activity Cycle and Modalities	2007
32	GEF Country Portfolio Evaluation: Costa Rica (1992–2005)	2007
31	GEF Annual Performance Report 2005	2006
30	The Role of Local Benefits in Global Environmental Programs	2006
29	GEF Annual Performance Report 2004	2005
28	Evaluation of GEF Support for Biosafety	2006
	Third Overall Performance Study	2005
	GEF Integrated Ecosystem Management Program Study	2005
	Biodiversity Program Study	2004
	Climate Change Program Study	2004
	International Waters Program Study	2004
Evaluation Documents		
ED-3	Guidelines for GEF Agencies in Conducting Terminal Evaluations	2008
ED-2	GEF Evaluation Office Ethical Guidelines	2008
ED-1	The GEF Evaluation and Monitoring Policy	2006

Global Environment Facility
Evaluation Office
1818 H Street, NW
Washington, DC 20433
USA

www.gefeo.org