

# Mid-Term Review of the Resource Allocation Framework

34<sup>th</sup> Council Meeting

Agenda item 8

Tuesday, November 11



# Overview

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

# Background (1)

- Independent mid-term review was part of RAF decision
- Evaluation Office was asked by Council
- Approach paper widely circulated – many comments were received
- TOR approved by Council
- Objective is to evaluate the degree to which resources have been allocated to countries in a **transparent** and **cost-effective** manner, based on global environmental **benefits** and country **performance**

## Background (2)

### Three areas to assess:

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

# Ten key questions (1)

## Design:

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

## Implementation:

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

## Ten key questions (2)

### Implementation - continued:

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

### Context

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

# MTR Design and Methodology

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

## Core evaluation team

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



# Context and comparison

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

# Comparison with other PBAs

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

## GEF RAF

Country score is:

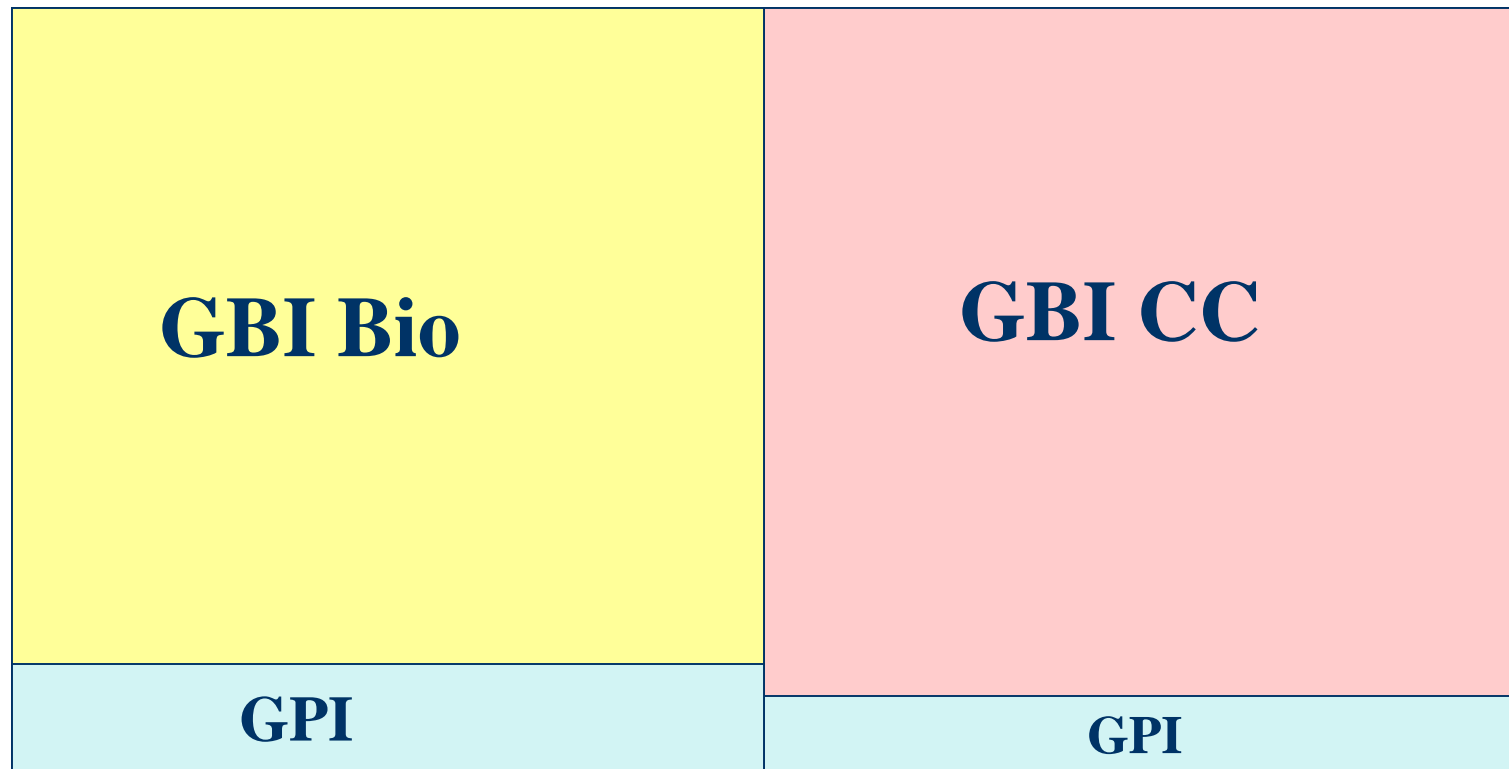
$GBI^{0.8}$

X

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

# GEF RAF

- Country score is:



# Determining Allocations

**Biodiversity/Climate  
Envelope for GEF**

**90% Cou**  
(Adjusted for)

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

**15% to  
group  
allocation**



# Biodiversity and climate change indices

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

# Performance indices

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

## Group allocation countries

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



# Rules of the game (1)

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

## Rules of the game (2)

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

# Too complex for a partnership?

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

# Individual Allocation Countries

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

# Exclusions

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

# Recommendations

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

# Issues for the future

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