OPS5

FIFTH OVERALL PERFORMANCE STUDY OF THE GEF

SUB-STUDY ON RESOURCE MOBILIZATION

OPS5 Technical Document #8

Independent Evaluation Office
GLOBAL ENVIRONMENT FACILITY

OPS5 Technical Document 8

Sub-study on Resource Mobilization

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Contents

Summary

This paper has been prepared by Lead Consultant John Markie for the Fifth Overall Performance Study of the GEF. It provides data and analysis on resource mobilization issues to complement other OPS5 studies and is intended to contribute to an understanding of:

- trends in donor support to the GEF in comparison with their overall resourcing of ODA for the environment and overall trends in donor ODA (both individually and collectively);
- the responsibility with which donors fulfill their obligations to the GEF and the potential for greater coherence in ODA for the environment including mobilizing additional resources through the GEF;
- the effectiveness and transparency of the overall arrangements for fund management in the GEF including issues such as the value of GEF commitments in relation to funds promised and deposited; and
- possibilities for improving GEF resource flows and financial resource management.

On the basis of comprehensive analysis of available data the paper identifies a number of issues, briefly summarised below:

Development Assistance for the Environment: Total OECD-DAC ODA for all purposes rose from US$ 83 billion in 2002 to 137 billion in 2010 and dropped back to US$ 127 billion in 2011 (2011 constant prices). The outlook now is for decline. The percentage of ODA commitments devoted to addressing global environment goals was falling from 2002 to 2006 (when it was around 5%) but thereafter climbed steeply to 14% in 2010 dropping back a little subsequently. Most of this rise was in climate change mitigation, which is currently the primary purpose of about 65% of total environment ODA, followed by biodiversity at a little less than 20%. The major rise in OECD-DAC funding for the environment is unlikely to be sustained due to wider economic factors.

Non-OECD DAC countries total ODA is growing but is still a minor proportion of the total with the Gulf states and China the largest donors. There is no evidence that any of the non OECD-DAC bilateral donors prioritise the environment. The non-OECD-DAC donors are unlikely to make up for the decline in OECD-DAC environment ODA but have the most potential for growth in their development assistance.

OECD based NGOs and other private sources account for almost a quarter of total assistance on ODA terms but this is extremely fragmented. NGOs in general do not emphasise the environment but environment NGOs give more attention to biodiversity than governmental donors. Corporate private sector giving is a very small part of the total and very concentrated on health. NGOs and the private sector are unlikely to emerge as significant sources of incremental funding for the environment.

Carbon markets for funding climate change development assistance have potential but remain in their infancy.

The World Bank and Regional Development Banks/funds have greatly increased their emphasis on the environment, especially climate change in soft loans, grants and non-

concessional lending. In the UN system core funding for UNEP[1] has recently declined and the GEF is the main source of funding for UN projects.

There has been an expansion in the number of funds and their resources which primarily address the climate and also forests. Most of these funds are managed by the GEF or the World Bank. This is not incremental money, as it comes from traditional donors, but its placement in funds may offer opportunity for greater coordination than if it were managed totally bilaterally.

- **The GEF, World Bank and the UN system could consider how they might effectively facilitate a mechanism for greater international consensus and prioritised focus in all significant sources of development assistance funding for the environment.**

Funding of the GEF: The funding of the GEF has not benefitted fully in proportion to the rise in OECD DAC environmental ODA but, leaving aside the funds addressing the climate, the GEF has benefited, and increases have been greater than those in the environment NGOs. The GEF has not received replenishments more generous than funds in other global priority areas (health and agriculture) but has attracted greater increases than IDA.

- **The strongest possibility for increasing contributors to the GEF is from the governments of upper middle-income and non-OECD-DAC high income countries and the inclusion of the European Commission as a GEF donor. Possibilities for any GEF funding from NGO and private sector sources are only marginal at best. Bilateral trust funds within the GEF could be both a source of additional resources and an opportunity to facilitate coordination of bilateral funds beyond co-funding.**

Contributions to GEF5 did not follow the pattern of IDA 10 (which provided the base share for GEF1) or IDA 16 (2011 which itself is greatly divergent from IDA 10). Many upper middle income countries and some high income non OECD-DAC countries do not contribute to the GEF but do contribute to IDA. Contributions to the GEF were most closely aligned to contributions to the UN, which is a scale calculated on capacity to pay, but also here there were significant divergences and major middle income countries do not contribute to the GEF at as high a level as they would on the UN Scale. Contributions also did not follow the pattern of OECD-DAC donors total contributions to the environment, which in several cases considerably exceed their proportions in the GEF.

- **There is no basis to link GEF contributions to IDA which reflects a different set of donor priorities and is not based on capacity to pay. It may be helpful for the GEF Council to consider after the current Replenishment negotiation is completed, the establishment of a framework of moral commitment for floor contributions to GEF (not maxima), possibly with reference to the UN scale, which provides a measure of capacity to pay.**

[1] UNEP pledged funds for the Programme Budget (Environment Fund) for the 2010-11 biennium were US$ 161 million. US$ 4 million was also provided from the UN Development Account. Pledges for Environment Fund for the 2012-13 biennium declined to US$ 144 million and the contribution from the UN Development Account was increased and US$ 8 million deposited in 2012. Trust Fund and earmarked income declined from US$ 125 million in 2011 to US$113 million in 2012. Source UNEP 2011 and 2012 UNEP Annual Reports.

Resource flows into the GEF are uneven over time and do not immediately peak following a replenishment. In May 2013 cumulative pledges unpaid for GEF 1-4 were equal to slightly over 3% of the total. Most pledges are met by the end of the Replenishment cycle and those not met were around 3% of the total for each cycle in the September following the end of the cycle. The situation for GEF 5 remains to be seen and Italy has now deposited its instruments of commitment and agreed a payment schedule, but some other donors have not regularised their pledges.

- **No practices with significant impact in inducing timely payment were identified from other agencies or funds and IDA. The previous GEF practice of donors deferring part of their contributions if other major contributors fell into arrears should be avoided, as it has proved counter-productive, leaving the GEF with less funds, without being an effective tool to exert pressure. The practice is no longer permitted in other funds, including IDA.**

Resource management and increased resource flows - Introduction of a project soft pipeline: Projects are approved by the GEF Council for preparation. At that time the Trustee sets aside an amount equivalent to the anticipated commitment (and these funds are no longer available for commitment). There is no legal commitment at this stage but an understanding on the part of the grantee and the GEF that if preparation and appraisal is satisfactory the project will be approved for implementation and a legal commitment will then apply. Since the GEF makes grants not loans, making a commitment earlier does not mean that there is any earlier payback or increase in funds.

Soft-project pipelines are common in the UN system and bilaterals and legal commitment only occurs in the IFIs following appraisal and board approval.

- **During the six year period 2006-12, the GEF committed on average over US$ 700 million per year for projects and their supervision. The GEF could conservatively make a one-time increase of US$ 400 million (about 60% of this sum) in the value of projects agreed for preparation, but not committed or approved. This would be a one-off addition, advancing the time-frame and reflect the urgency the GEF attaches to its mission. As a proportion of the GEF 5 Replenishment it would have been a nearly ten percent increase.**

Other possible factors influencing resource availability: Other considerations with a positive but more marginal affect on resource availability for immediate commitment (not total resources), include:

- There is no evidence significant funds are lost through non-refund of unspent commitments but this needs to be timely. Paying agency fees in three tranches with final for project closure could incentivise closure and ensure adequate funds are available in small agencies to support closure;
- Reducing the term of promissory notes (presently a maximum of seven years compared with an average project life of five years) would make more funds available for investment and reduce currency risk.

Transparency of financial management and governance of the GEF: The study found no evidence of significant dissatisfaction with transparency or financial management (transparency has improved steadily). However, most agencies have a finance/ audit committee. There have been issues in GEF audit in the past and GEF audit reports are not presented to Council. Trustee financial reports are available at each meeting but are presented for information not discussion. There is no public financial data by project and there is room for improvement in several areas of data recording and access.

- **If there are no significant problems, the present financial oversight practices could be considered efficient, But there is a governance risk and a departure from standard international practice.**

I. Introduction

1. The terms of reference of the Fifth Overall Performance Study (OPS5) of the GEF contain the key questions:

- Given the emergence of new financing channels that address [global environmental] problems, what is the added value and catalytic role of the GEF as a funding channel?
- Does the GEF have sufficient funding to address the focal area strategies, guidance of the conventions and the needs of recipient countries in a meaningful way? To what extent is the GEF able to mobilize sufficient resources? To what extent do the donors perform as pledged?

2. This paper provides data and analysis to complement that being developed within other OPS5 studies and is intended to contribute to an understanding of:

- trends in donor support to the GEF in comparison with their overall resourcing of ODA for the environment and overall trends in donor ODA (both individually and collectively);
- the responsibility with which donors fulfil their obligations to the GEF and the potential for greater coherence in ODA for the environment including mobilising additional resources through the GEF;
- the effectiveness and transparency of the overall arrangements for fund management in the GEF including issues such as the value of GEF commitments in relation to funds promised and deposited.

3. The paper is divided into four main sections;

- The evolving context of development assistance for the environment: which addresses overall assistance flows from all sources of assistance, the assistance to the environment and how much of that assistance flows through the GEF;
- Expanding the contribution base to the GEF and a reference framework for contributions to the GEF;
- The GEF cash flow and the availability of resources for commitment to projects, including replenishments, arrears, and systemic delays; and
- Financial transparency and governance in the GEF.

4. Annexes provide additional tables, notes on data and its analysis and the terms of reference.

II. The Evolving Context of Development Assistance for the Environment

Overall Trends in Development Assistance

5. Most of the resources for Official Development Assistance (ODA) continue to originate from the DAC group of donor countries (see Figure 1). They also account for the great majority of the contributions to ODA through the multilateral organizations including the International Financing Institutions (IFIs) and the UN system. Where these resources through multilateral agencies are for specific purposes, they are recorded by the OECD-DAC donors as for that purpose, including those for the environment through the GEF and the Climate Change Funds. There has been a significant rise of resources from donors outside the OECD-DAC but this contribution is still relatively minor. The contribution to development assistance of NGOs and Foundations, mostly in OECD countries, remains very significant.

Figure 1: Summary of Total Sources of ODA (2009-11)

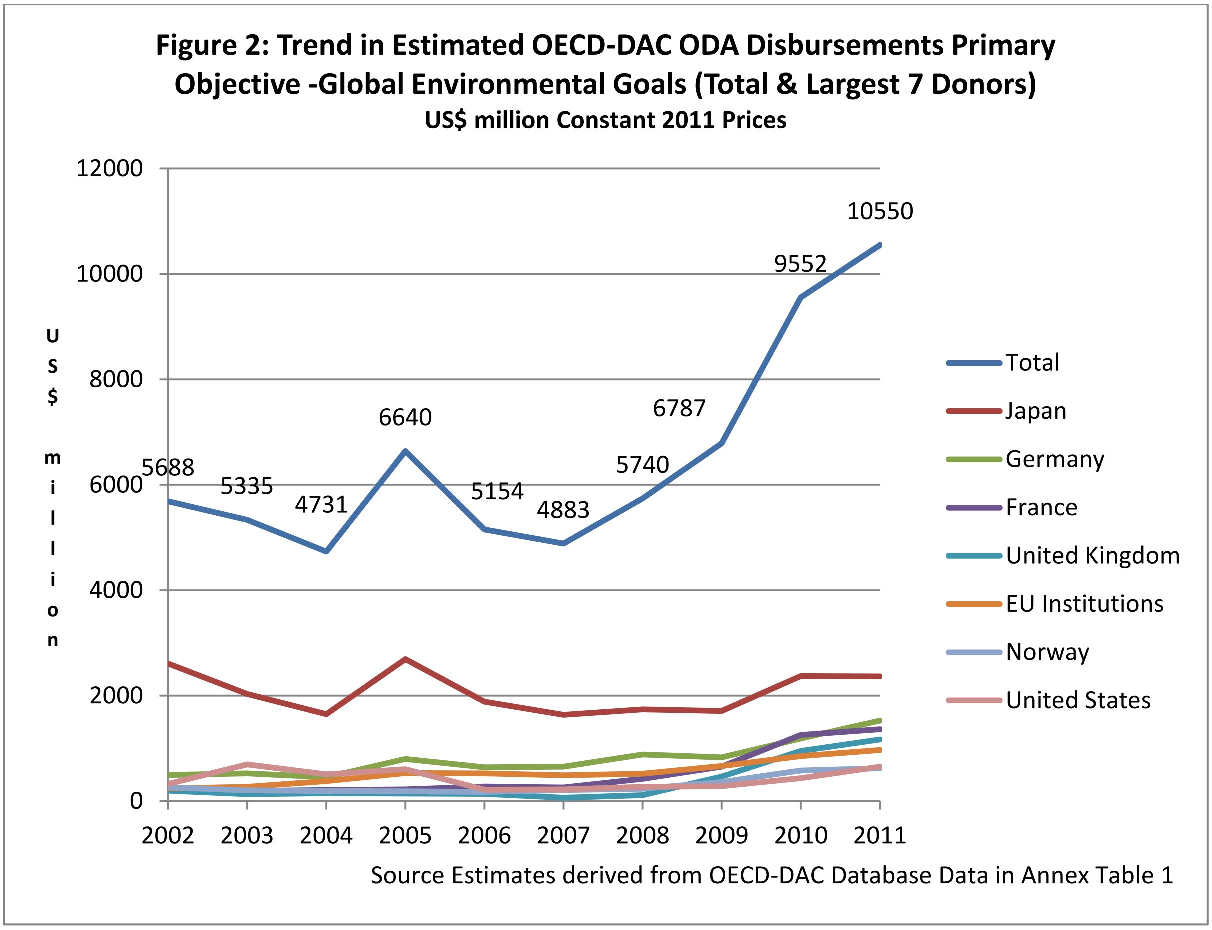
Origin of ODA	**Estimated Proportions of Assistance**	
OECD-DAC Countries	Over 70%	
Non OECD-DAC Countries	Around 7%	Of which Saudi Arabia almost half and China about a quarter
NGOs and Foundations in OECD DAC Countries	A little less than a quarter	May be element of double counting with governmental funds through NGOs and Foundations
ODA flowing through multilateral agencies (including IFIs and UN)	Around 30%	**Multilateral ODA originates largely from governmental sources** plus a small proportion from interest earnings etc. by the multilateral

Sources: OECD-DAC Data Base for Governmental Donors, including the Arab donors and for multilateral ODA. Estimate for China, India, etc. from academic literature. Estimate for NGOs and Foundations from Hudson Institute Centre for Global Prosperity

Contribution by the OECD-DAC Donors to Global Environmental Goals

6. The amount of ODA which the traditional OECD donors[2] devote to the environment has been rising steadily in real terms as can be seen from Figure 2 and Annex 1 Table 1. Total ODA for achievement of global environmental goals rose in part because of the steady rise in total ODA, which increased from OECD-DAC countries in real terms (constant 2011 US$) from US$ 83 billion in 2002 to 137 billion in 2010. In 2011 OECD-DAC total ODA began to decline (US$ 127 billion) as the effects of the financial crisis fed through into national budgets. Total ODA is now reported by the OECD to be falling further but no figures are available. Since 2002 OECD donors have been reporting their commitments to ODA contributing to global environmental goals and the estimation of disbursements is derived from that (for details of methodology see Annex 2). Comparable data prior to 2002 is not available.

[2] The current member of the OECD-DAC are: (those not providing data on environmental commitments are marked with an * : Australia, Austria, Belgium, Canada, Czech Republic*, Denmark, Finland, France, Germany, Greece, Iceland*, Ireland, Italy, Japan, Rep. of Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United kingdom, United States. The European Commission also participates.

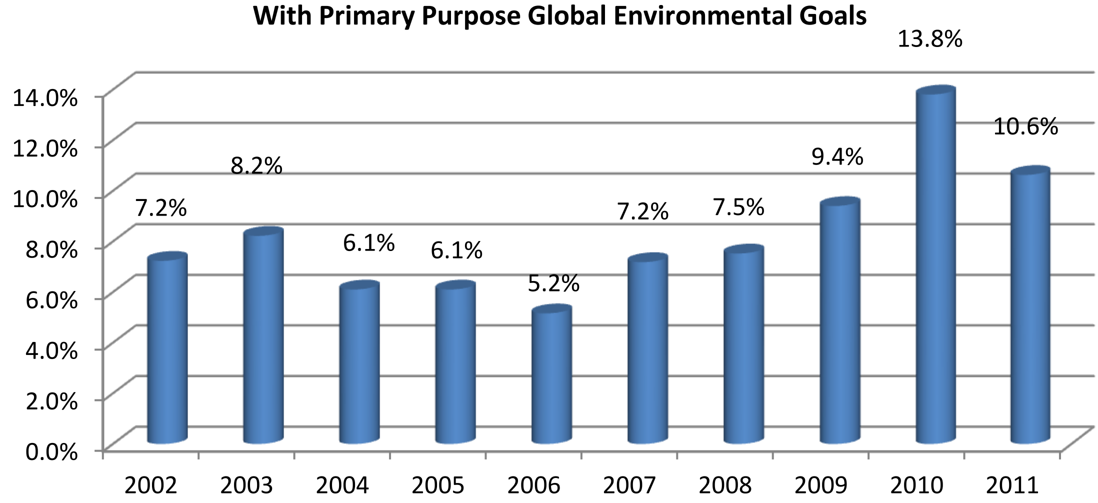


7. Figure 2 illustrates the contribution of the seven more significant OECD DAC donors in the contribution of ODA resources to the environment. Japan contributed almost 40% of the total (2009-11 average) and between them Japan, Germany and France contributed over 60%. The proportion of individual countries' ODA which is devoted to the environment follows a similar pattern but in this respect the contribution of some of the smaller donors is also important, in particular Norway and Finland both contributed more than 15% of their ODA. It may also be noted that Belgium, Italy and Spain made no pledges to UNEP for 2012-13.

8. In addition to commitments the primary purpose of which is contribution to global environmental goals, OECD-DAC donors report commitments which make a significant contribution to those goals without this being their primary purpose. ODA corresponding to this criteria rose from an average of 7% of commitments in the two years 2002-03 to 12% in the two years 2010-11, indicating a rise also in mainstreaming of environmental objectives.

9. OPS 4 provided an OECD graphic (Figure 2.1.2) calculated from sector data which showed ODA for the environment declining as a percentage of ODA from 1996 to 2002. As a percentage of commitments for OECD-DAC ODA, the assistance for global environmental goals was stable from 2002-2007 with some annual fluctuations and then rose steadily to average a little over 12% in the two years 2010-11 (Figure 3). This was largely due to commitment to climate change mitigation.

Figure 3: Trend in OECD-DAC Countries Percentage of ODA Commitments With Primary Purpose Global Environmental Goals



Source OECD-DAC Database

10. **Contributions to the Global Environmental Goals:** Climate Change mitigation makes up by far the greatest proportion of environment ODA by OECD-DAC countries (65% 2009-11 average). Biodiversity is the other major commitment (18% of environment ODA commitments 2009-11 average). Figure 4 illustrates the priority countries give to these two priorities. Desertification is the other global goal which countries report on separately, but the proportion of environment assistance with desertification as the primary purpose relative to climate change and biodiversity is very small (3% of total environment commitments with Japan the major donor followed by the EC). Since 2010 OECD-DAC donors have also been reporting their commitments for climate change adaptation. This would have corresponded to an average of 16% of contribution to global environmental goals (if included) with Japan followed by UK as the principal donors.

Figure 4: OECD-DAC Contributions to ODA for Climate Change Mitigation and Biodiversity	
Primary purpose climate change mitigation represented (2009-11) 65% of total environment ODA	Primary purpose biodiversity represented (2009-11) 18% of total environment ODA
Countries which devoted more than 50% of their environment ODA commitments to climate change mitigation	**Countries which devoted more than 25% of their environment ODA commitments to primary purpose biodiversity**
Japan	United Kingdom
Germany	United States
France	Austria
United Kingdom	Ireland
Norway	Greece
Spain	
Australia	
Ireland	

11. **Conclusion:** There may be an element of improved reporting in the overall rise of ODA with primary purpose environment and that with a significant contribution, but nevertheless there can be no doubt of a major increase in priority to the environment by OECD-DAC donors.

Contribution of Non-OECD-DAC Donor Countries

12. Non OECD donors in general do not attach policy conditions to their assistance and have been less involved in debt relief than OECD donors. They also do not generally provide substantial budget support, emphasising project and programme funding. South-South cooperation is generally considered important but whereas in most cases this is cooperation between the donor and the recipient, Gulf States can support more comprehensive South-South arrangements.

13. **Arab and Islamic Funds and Donors:** Saudi Arabia, Kuwait and the United Arab Emirates accounted for some 91.4% of Arab ODA (in the period 1973-2008: Saudi Arabia 64%, Kuwait 16.3%, UAE 11.5%). These three countries now report their ODA to the OECD-DAC but do not provide reporting on environmental commitments. Most of the assistance is bilateral and only 10% is through multilateral institutions including the Arab and Islamic financial institutions (4% Arab & Islamic; 4% WB; 1% AfDB; 4% UN). This compares with the OECD average of 30% through multilaterals. In the period 2000-2008 grants made up 36% of Arab ODA and the remainder was concessional loans, (mostly highly concessional). Saudi Arabia and Kuwait and most of the Arab IFIs are signatories of the Paris Declaration. In the period 2000-07 non IDA countries received 72% of assistance, emphasis is thus not on the poorest countries. The volume of assistance, especially the bilateral portion fluctuates markedly in line with oil revenues. Although agriculture, humanitarian and health and education have come up in priority, a priority continues to be infrastructure which receives overall 55% of assistance, of which some 20% in energy including hydropower and around 8% in water and sewage. Environment as such has not been a priority[3]. None of the Arab donors have pledged support to GEF 5 and Saudi Arabia has not pledged to UNEP.

14. **Chinese ODA:** There have been significant definitional issues with Chinese ODA. Much of the economic cooperation loans which have sometimes been included by authors as aid are not claimed by China to be ODA and would not be classified as such when the source is a member of the OECD-DAC (they would be classified as other official flows because the source is a state owned company, rather than a private commercial entity). Brautigan has probably made the best estimate of Chinese ODA for Africa where for 2008 she estimated US$ 1,2 billion, somewhat less than the largest OECD and multilateral donors but nevertheless very substantial. Both Brautigam[4] and Kondoh et.al[5] note that Chinese grants, as distinct from concessionary loans, are not particularly concentrated on those countries with which China is developing strong commercial ties but is well distributed and is more associated with diplomatic links. As Kondoh et al note, China emphasises that its aid is not conditional and that approval processes are short. Thus, while countries can only take what China is prepared to offer, they are not subject to the types of developmental and political criteria western donors apply (including include criteria related to environmental protection and sustainability). Chinese grants are not normally packaged with other forms of cooperation, including the substantial investments in the infrastructure and energy sectors but concessionary loans are.

15. **India, Brazil, Russia and South Africa (BRICS):** ODA from India, Brazil and South Africa remains small and comprehensive figures are not available. ODA is very largely technical cooperation. In terms of geographical concentration, Brazil has tended to emphasise Portuguese speaking countries of Africa; South Africa - southern Africa and African regional initiatives; and India

[3] Source of all data: Arab Development Assistance - Four Decades of Cooperation, Middle East and North Africa Region, Concessional Finance and Global Partnerships Vice Presidency,
World Bank, June 2010

[4] Brautigan Deborah, Chinese Aid: What, Where, Why and How Much? (*China Update*, 2011) and Aid 'With Chinese Characteristics': Chinese Aid and Development Finance Meet the OECD-DAC Regime' (*Journal of International Development*, 2011)

[5] Hisahiro Kondoh, Takaari Koboyashi, Hioaki Shiga and Jin Sato: JICA Working Paper No 21 Diversity and Transformation of Aid Patterns in Asia's Emerging Donors, Oct 2010

strategically important countries of Asia, including its neighbours and Afghanistan. Since 2010, Russia reports its ODA to the OECD-DAC (US$ 285 million average for those two years distributed over a wide number of countries and all regions in small grants and one large grant to Nicaragua). There is no evidence of any particular priority to the environment for the BRICS. Some of the Chinese assistance, including concessional loans have been made for programs, including hydro power, solar energy and biogas in Africa. No figures are available but at least some of the hydro power investments, including that in Ghana have been questioned on environmental grounds while evidently having advantages for renewable energy generation. Grant assistance does not appear to have any substantial environmental component. All the BRICS pledged contributions to GEF 5, but these contributions are at a lower rate in percentage terms than their contributions to the UN. Brazil and South Africa have not pledged to UNEP for 2012-13.

16. **Other Smaller Donor Countries:** A large number of European countries with small economies, including EU members have become minor donors, the largest among these being Poland. Turkey has also become a significant donor and a number of middle income countries, including Thailand. Most of the European and a few of the other countries[6] report their ODA to the OECD-DAC. There is no overall pattern to the ODA of this heterogeneous group and no evidence of a particular priority to the environment.

17. **Conclusion:** There is no evidence that donor countries outside the OECD-DAC have given a particular priority to the environment and despite some recent increase they remain responsible for a minor part of total ODA.

Contribution of Multilateral Development Assistance

18. Around 30 percent of total ODA flows through multilateral institutions. These include those specialised in the environment, in particular the GEF and the World Bank Group, regional development banks and funds and UNEP and other UN agencies.

19. **The World Bank and the Regional Development Banks**[7] have all been giving steadily increasing emphasis to the environment and their combined annual lending and grants for the environment are now estimated to be at least US$ 17 billion per annum. While this figure exceeds by 50 percent that of the bilateral donors, it needs to be recalled that most of this is loans, not ODA, and that much of the grant component derives from the bilateral donors. The World Bank, and now the Regional Development Banks, are all GEF agencies and working with the GEF played a significant role in their initial work on the environment, with the exception of the European Bank for Reconstruction and Development (EBRD). They are agencies for the Climate Investment Funds held in Trust by the World Bank (see below). Annex Table 5 presents available data on the development banks' lending and grants for the environment. The data is not comparable between the institutions and they have now agreed on common criteria for reporting on financing for climate change:

- The World Bank has steadily increased its emphasis on the environment and reports the percentage of annual lending and grants from IDA and IBRD for the environment and natural resource management as having risen from around 6% of the total in 2002-03 to around 11% in the period 2007-11;
- The Asian Development Bank (ADB) lending and grants with an environment theme (amongst other themes) has fluctuated with a high of 22% in 2006 but a fall to 9% in 2007 by value. Since which time it has risen to 56% and 53% in 2011 and 2012 respectively. This well exceeded the

[6] Bulgaria, Chinese Taipei, Cyprus, Estonia, Hungary, Israel, Latvia, Liechtenstein, Lithuania, Malta, Poland, Romania, Slovak Republic, Slovenia, Thailand, Turkey.

[7] The primary sources of information for this section of this working paper have been the Annual Reports of the World and Regional Bank Groups. Figures provided are in 2011 constant US$.

established target of a rolling average of 25%. The ADB also established a Climate Change Fund in 2008 to which it contributed US$ 50 million from its own resources.

- The Inter-American Development Bank (IDB): Environment did not really emerge as a priority until new priorities were defined in 2009-10 when a target was established of 25% of lending on average for the environment by 2015. The emphasis is on climate change and energy use and loans and grants for climate change, environmental sustainability and sustainable energy use rose from a 2006-09 base average of 5% (approx. US$ 510 million) to 33% in the two years 2011 and 2012 (approx US$ 3550 million per year). A sustainable energy and climate change fund was established in 2007 with US$ 70 million from IDB resources and by 2013 had funded projects of US$ 80 million.

- The European Bank for Reconstruction and Development Bank (EBRD) does not specifically identify environmental lending, but considers it mainstream in its work. One of its major themes launched in 2006 is sustainable energy which is clean, efficient and often renewable. EBRD also has a sector priority for urban renewal which addresses energy and water and sanitation. With fluctuations, sustainable energy has risen from 15% of annual lending and grants in 2006 to 29% in 2011 and 26% in 2012 (US$ 3,700 million and US$ 3000 million respectively). It was stated to have declined slightly in emphasis due to the economic crisis. There are also sustainable energy elements in transport and urban infrastructure projects. EBRD manages a carbon fund with the European Investment Bank.

- The African Development Bank (AfDB) and Fund have not placed a heavy emphasis on the environment compared with the other regional development banks and there are no trend data. Reporting on environment as a theme is with energy. There is some emphasis on green energy but a lot of the investment is classical, in electricity grids, etc. No loans or grants have been reported for 2010-1012 specific to the environment. An Energy, Environment and Climate Change Department was established in 2010. A strategic climate fund trust fund was set up in 2012 but with assets of only US$ 5.9 million. There is a sustainable energy fund which had US$ 47 million in assets 2012. A ClimDev-Africa Special Fund is managed by the AfDB in cooperation between ECA and AU secretariat. This fund has pledged funding of US$ 136 million but it does not appear to be operational.

20. **The United Nations System:** UNEP is the programme of the UN which is responsible for environment in the UN system. It provides the institutional home for the secretariats of the Environmental Conventions which are budgeted separately. UNEP is one of the smaller UN programmes. Income to its core budget rose in constant 2011 US$ from 64 million in the year 2000 to 90 million in 2008 and 2009. However by 2011 and 2012 the core income had dropped back to US$ 81 and 72 million respectively. In addition to its core budget, UNEP receives about US$ 7 million per annum from the UN Regular budget and trust funding and earmarked funds, most of which come from the GEF. In 2012 trust funding amounted to US$ 143 million, about twice the core budget. For the three years 2010 to 2012 the split of UNEP's total expenditure was as indicated in Table 1.

Table 1 Purpose of UNEP Expenditures - from all Funding Sources 2010-11			
Climate change	23%	Resource Efficiency	14%
Ecosystem Management	20%	Chemicals and wastes	13%
Environmental Governance	20%	Ecosystem management	9%
Source UNEP Reports to its Council of Ministers - UNEP Website			

21. Other UN agencies provide technical cooperation for the environment, in particular UNDP for overall technical cooperation and FAO and UNIDO for their respective areas of expertise. The great majority of their funding for this derives from the GEF. The regular budgets of the specialised

agencies of the UN (including FAO, UNIDO, UNESCO) tend to be used for normative work and sustainable environmental management is significant in their stated objectives.

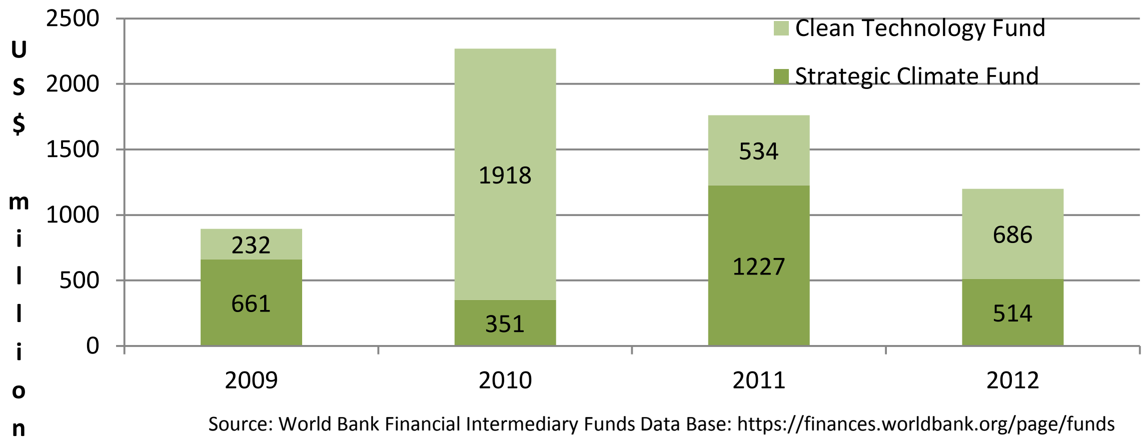
Global Funds for Environmental Development

22. Some of the environment funds established over the last ten years have been set up by, and operated by, the European Commission and national governments, such as those of Germany, Japan and the UK. The Netherlands also established a fund with the World Bank. Most of these are primarily or totally for the climate.

23. There are currently a number of multilateral development funds for the environment in addition to the GEF, in particular addressing the climate. Figures 5 and 6 summarise the income of the more significant of these. All these funds have very largely been supported by the conventional governmental donors with the exception of the Adaptation Fund (discussed below). Most of these funds have only a few donors which support them in line with their national priorities.

24. **The Climate Investment Funds** are held in trust by the World Bank and are disbursed through the World Bank and the Regional Development Banks. These consist of the Strategic Climate Fund and Clean Technology Fund which received their first deposits in 2009. They dwarf the other Funds with total funds deposited by June 2013 of US$ 2811 million and 3534 million respectively.

Figure 5 Contributions to the Climate Investment Funds in Constant 2011 US$ million



Source: World Bank Financial Intermediary Funds Data Base: https://finances.worldbank.org/page/funds

25. **The Green Climate Fund (GCF)** is intended to emerge as the financing instrument of the United Nations Framework Convention on Climate Change (UNFCCC). The decision was made to establish it in December 2010 and a Draft Governing Instrument was adopted in December 2011. Interim secretariat support to the GCF is provided jointly by the GEF and the UNFCC secretariat, with the World Bank as interim Trustee. An interim office is now being set up in the Republic of Korea. There are reported to be a large number of issues outstanding for the Fund to become operational. To June 2013 only US$ 7.6 million had been deposited of which 28% came from the Republic of Korea and the remainder from other traditional donors.

26. **Funds with their secretariat provided by the GEF and funds held in trust by the World Bank** (for several of these the arrangements with the GEF and World Bank are stated as interim but are currently continuing).

- The Adaptation Fund which became fully operational in 2009 under the authority the Parties to the Kyoto Protocol. It has significant funding from a non-conventional source, Certified Emission Reductions (CERs) are monetized on its behalf by the World Bank. Total proceeds to June 2013 were US$ 320 million of which 18% was contributions by traditional donors and the remainder CERs (all denominated in Euros).

- The Least Developed Countries Fund (LDCF) aims to address the needs of the LDCs which are particularly vulnerable to the adverse impacts of climate change. It became operational in 2002. Total income to June 2013 was US$ 608 million and resourcing has been especially unpredictable.
- The Special Climate Change Fund (SCCF) became fully operational in 2005 to support adaptation and technology transfer. Total income to June 2013 was US$ 242 million and resourcing has been unpredictable.
- Nagoya Protocol: Legally binding Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization. Trust fund established in 2011 for the 2011-2012 biennium (total deposits to June 2013 US$ 16 million).

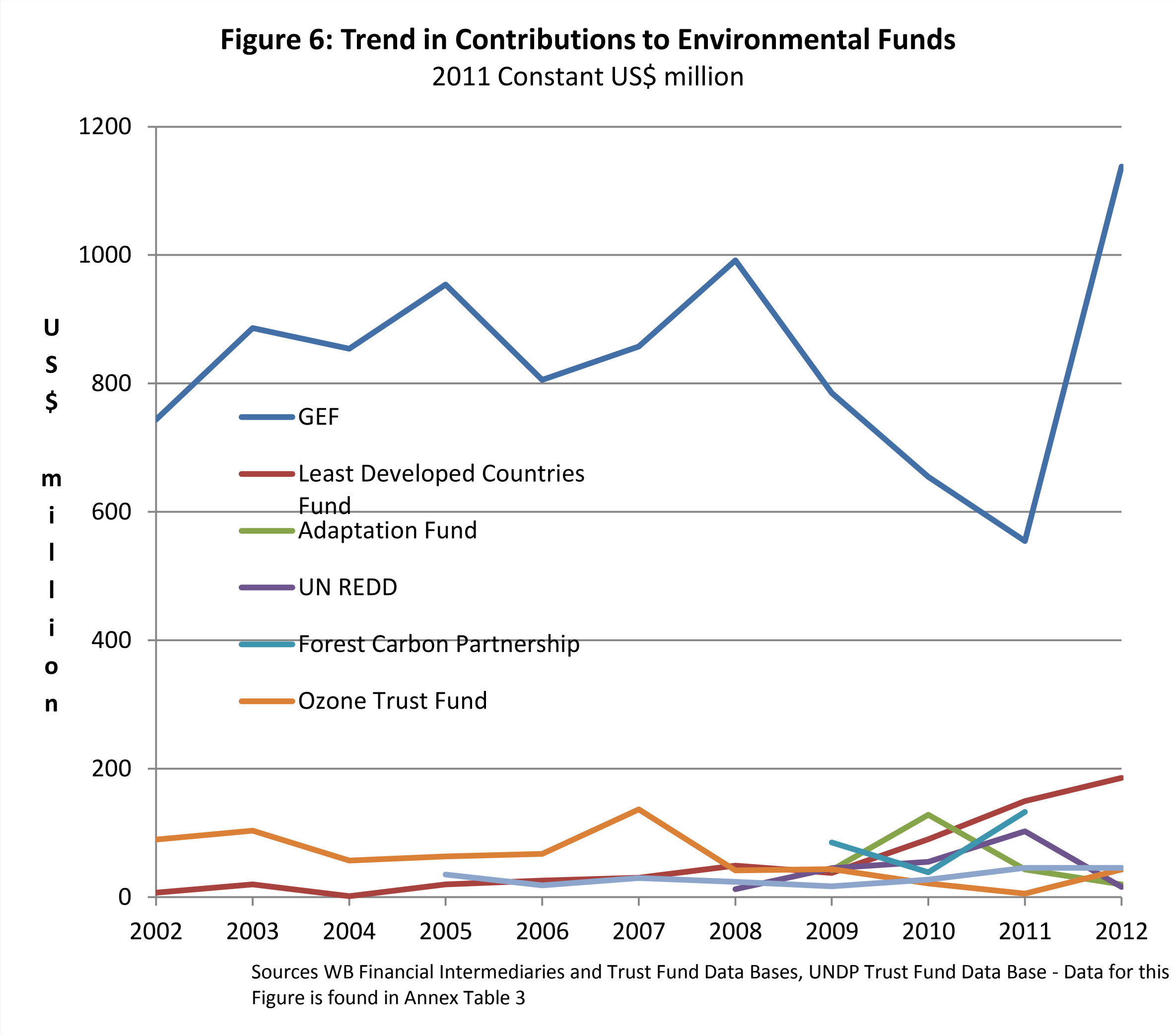
27. **Funds addressing forests and watersheds include:**

- Forest Carbon Partnership Facility (FCPF) operated by the World Bank and begun in 2009. It had received US$ 265 million in funding by August 2011.
- UN-REDD which was established in 2008 and had received total contributions of US$ 154 million by the end of 2012. The trust fund is held by UNDP and projects are operated through UNDP, FAO and UNEP.
- PROFOR -World Bank Multi-donor Program for Forests started in2003 and had received contributions of US$ 21 million by August 2011.
- The Amazon Fund established in 2008 has total funding of US$ 129 million by May 2013 mostly from Norway, but with some from Brazil and Germany. It is operated by the Brazilian Development Bank (BNDES).
- The Congo Basin Fund was established in 2008 and is operated by the African Development Bank. As of February 2013 it had received deposits of US$ 164 million.
- The Guyana REDD was established in 2010 and funds are held in trust by the World Bank with all funding from Norway (US$ 69 million - June 2013).
- Brazilian Rainforest Trust Fund operated by the World Bank received US$ 77 million between 2000 and 2008.

28. **Other Funds for which the World Bank provides Trustee and Operational Services**

- Various carbon funds, many of which are from one national donor and which had received US$ 380 million between 2004 and 2011.
- Netherlands Clean Development Mechanism which received US$ 198 million between 2002 and 2011.
- Ozone projects Trust Fund for the Montreal Protocol operated by the World Bank received US$ 110 million between 2000 and 2011.

29. Figure 6 illustrates the income to these funds compared with that of the GEF. The Data is also provided in Annex Table 3



30. **Conclusion:** There has been an expansion in recent years in funds addressing the climate and also forests. This is not incremental money as it comes almost entirely from the conventional bilateral donors and some may come from bilateral funds which the donors have established for environmental purposes. Most of the funds fall into two main groups, those where the GEF provides the secretariat and a degree of coordination and those where the World Bank in addition to being the Trustee takes some secretariat responsibilities. The Funds led by the World Bank often have a small number of donors and respond to specific national donor priorities. Acting through these funds, donors may achieve greater coordination than by acting purely bilaterally.

Non-Governmental Development Assistance

31. **The Context:** The flow of development assistance from NGOs, Foundations, Corporations and some wealthy individuals for development assistance represents some quarter of the ODA flow. This assistance is extremely fragmented, often cause-specific, and in the case of NGOs and Foundations subject to double counting as resources may originate with governments or international agencies as well as donations from individuals and to some small extent the corporate sector.

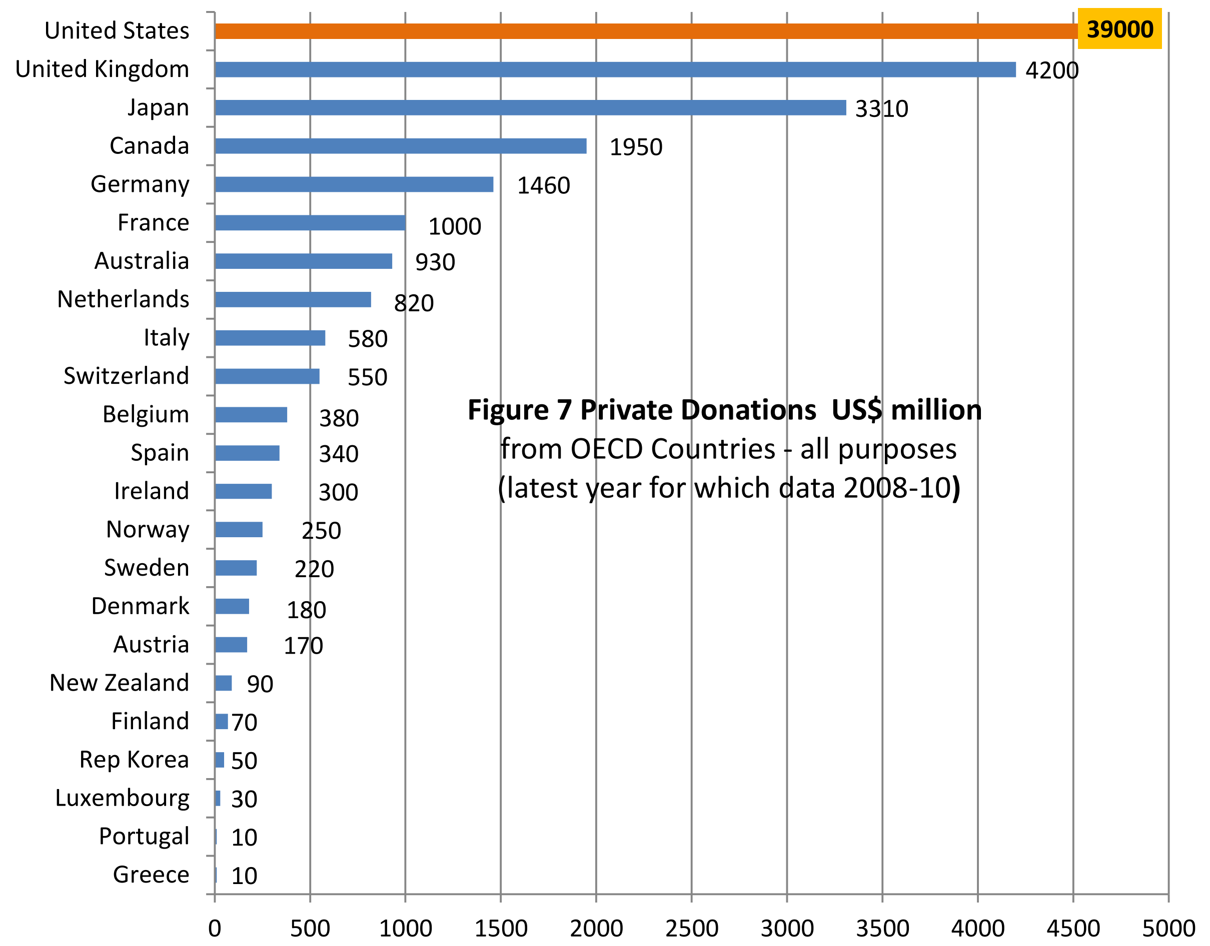


Figure 7 Private Donations US$ million
from OECD Countries - all purposes
(latest year for which data 2008-10)

Source: Huson Institute for Global Prosperity Index of Global Philanthropy 2012

32. In 2010 OECD countries were estimated by the Hudson Institute to have provided $56 billion from private voluntary agencies to developing countries[8]. As can be seen from Figure 7, the largest total quantity of private giving from OECD countries to developing countries comes from the USA, followed by the United Kingdom and Japan. Similar data is not available for non-OECD countries. The absolute figures by country would naturally be very different if expressed as a percentage of GNI[9] (the USA remains

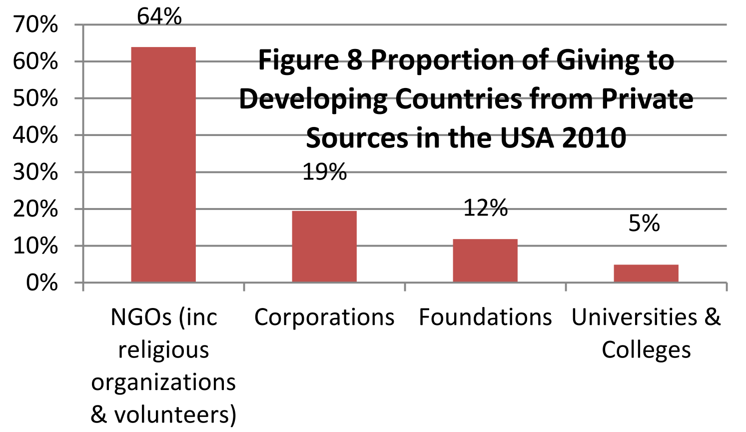


Figure 8 Proportion of Giving to Developing Countries from Private Sources in the USA 2010

Source Index of Global Philanthropy 2012, Hudson Institute for Global Prosperity

[8] OECD-DAC – Webtables

[9] Interestingly, the Hudson Institute has calculated total donation including ODA, private giving and remittances from OECD countries as a percentage of GNI and on this count Austria, Canada, UK, Norway,

the largest, but Japan, France and Germany drop substantially in the hierarchy). As the Hudson Institute data collection is most rigorous in the USA, there is some undercounting in Europe which they have described, for example UK does not include foundations, corporations or religious organizations and the figure for Germany is reported as incomplete.

33. There has been an increase in sector-specific international funds and there is a major role of the private sector in certain of these -- in particular the Global Fund for HIV/AIDS Tuberculosis and Malaria and the Global Alliance for Improved Nutrition (GAIN) – a foundation. Although the majority of the budgets of these organizations comes from official OECD ODA.

34. Excluding private capital flows, the percentages of donations from OECD countries to recipients in developing countries were estimated[10] for 2010 as: 51 percent remittances, 34 percent government donations and 15 percent private and corporate philanthropy. The great majority of philanthropic giving was through NGOs, religious organizations and foundations and originated largely from individual donations by the general public with a significant contribution through foundations by high-net worth individuals (see Figure 9).

35. **Non-governmental giving in the Emerging Economies:** Data for BRIC countries show that giving by individuals is increasing and that a significant proportion of the general public is giving (Table 2). In China, India and Russia, giving by high-net worth individuals is also significant and in Brazil and South Africa corporate giving is more important. A similar picture appears in most of the wealthier developing countries. Case studies in Asia suggest that most giving in Asia stems from religious motivations rooted in Buddhism, Hinduism and Islam. Analysis by the UK Charities Aid Foundation (CAF) shows that in Asia and the Middle East, Thailand has the largest proportion of its people donating money (85%), followed by Hong Kong (73%) and Indonesia (72%). Charitable giving by individuals is highest in Southeast Asia, to which two of the top three belong (Thailand and Indonesia). This figure increased by 9 percent from 2009–10. In East Asia 37 percent give money, while 35 percent do in South Asia, 32 percent in West Asia/the Middle East and 18 percent in Central Asia. In all countries giving is predominantly for domestic purposes.

Table 2. Proportion of the Population Donating for Causes of All Types in BRIC Countries

Brazil	26%
China	14%
India	28%
Russia	5%
South Africa	10%

Source: CAF, UK, 2011

36. **Corporate Private Sector Giving to the Developing World:** Global (mainly US) corporate giving in 2010 was estimated at $15.5 billion, of which $7.6 billion went to the developing world. An indication of the relative unimportance of corporate giving to developing country recipients is provided by data for the USA. Of the 12% of the total US non-governmental giving only 2.3% came from corporates. In the USA, the great bulk of corporate giving is made up of small donations of less than a million dollars and <u>ninety percent of the total is explained by pharmaceutical drug donations</u>. Exactly half of reporting companies gave more in 2010 than they did before the 2007 economic downturn and giving was 15% down in 2011 from 2009[11]. In the context of the Global Compact, developing countries are increasingly requiring private and public sector companies to demonstrate corporate social and environmental responsibility.

37. Private sector companies are increasingly seeking a close complementarity between their corporate social responsibility objectives and their wider business objectives. The picture varies -- for example Asian companies may continue to place emphasis on cash donation for visible projects,

Sweden, Luxembourg, Ireland, New Zealand, Netherlands, Denmark, and Australia in that order come ahead of the USA.

[10] by the Hudson Institute Center for Global Prosperity

[11] Committee Encouraging Corporate Philanthropy, 2011

whereas in general multinational corporations are less inclined than was the case a few years ago to simply provide funds in order to further their brand image.

38. There is little evidence of corporate emphasis on the environment. The big area of interest has been health and giving has mostly been in kind. The exception to this is transport industry, in particular airlines which frequently offer customers the opportunity to donate for offsetting carbon projects. Public-private partnership is starting to emerge in the operation of environmental reserves and parks and elsewhere in OPS5 encouraging evidence was found of work in chemicals. Public-private partnership in the energy sector has generally been in the form of public subsidy for environmentally less costly practice. The main concerns with the private sector are how to regulate and tax the environmental externalities of its enterprises.

39. In view of the ethical issues in working with the private sector, particularly in relationships which go beyond the contractual, the UN system has given particular attention to the governance of these relationships (see Annex 3).

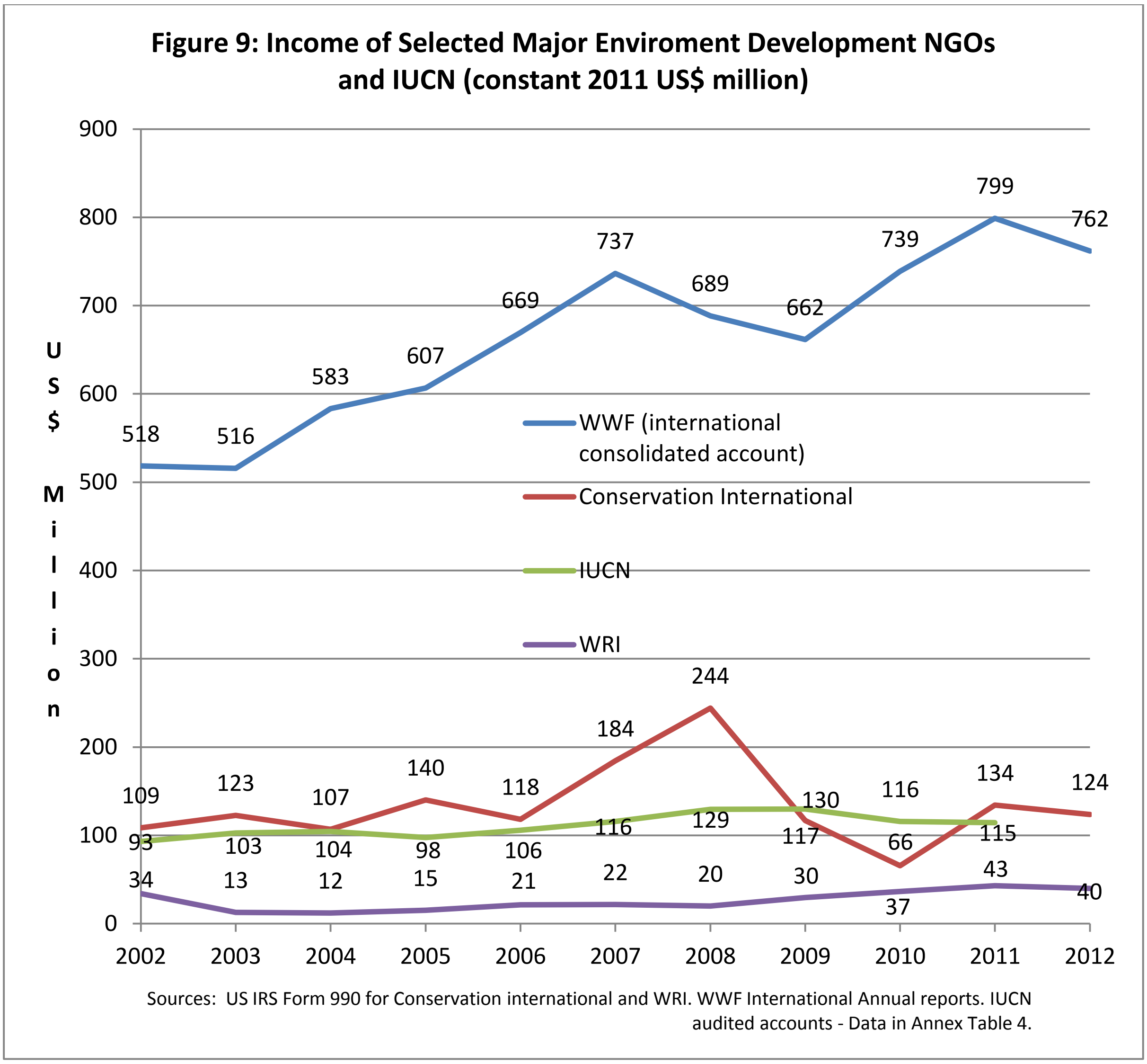
40. **Foundations:** Some of the largest foundations have been major drivers of the development agenda in recent years (e.g. Wellcome and Gates - Health). The Gates Foundation has recently come to play a major role in agriculture where Rockefeller remains important. No major foundation with a substantial endowment was found to have a main emphasis on the environment as a donor[12].

41. **NGOs and Environmental Development** (IUCN is a mixed membership organization but is discussed here along with NGOs)**:** There is no data to easily assess the proportion of non-governmental giving for development which goes for the environment. The overall figure from the OECD NGOs is in the region of $ 30 billion per year (see above). The figure for environment NGOs is clearly in excess of 1 billion per year (WWF is some US$ 700 million) even after the exclusion of government contributions to those NGOs, but this would only amount to 3-4% of total OECD private giving as compared with some 12% of official ODA. The proportion however for biodiversity may be greater than that in official ODA where it only is a little over 2%. The main NGO givers for environment development place most of their emphasis on biodiversity (45% in the GEF in 2012 with exclusion of MFA).

42. Whereas government ODA for the environment has been growing in real terms, this is not the case of the income of major environment NGOs, as can be seen from Figure 9, with the exception of WWF which is by far the largest and has had considerable fluctuations in income.

43. Governments are a significant source of grants to environment NGOs, generally for specific projects (28% for 2012 in the case of Conservation International, 19% for WWF, and 10% for WRI). Government grants have been less subject to fluctuation than funds raised from the public and from wealthy individuals. The only major environment NGO to report separately on its income from corporations, WWF, receives only 10% of its income in this way (2012) and it is estimated that for environment NGOs overall some 70% of income is from the general public and wealthy individuals.

[12] Some donor foundations include environment among their objectives but the emphasis tends to be the USA. Examples include Bloomberg and Hewlett



Experience from Global Funds (in areas other than the environment)

44. Resource mobilisation was reviewed in four Global Funds in agriculture (IFAD), health (the Global Fund and GAVI) and Education (Global Partnership for Education Fund). Of these the Global Partnership for Education Fund was initiated in 2011 as successor to Education for All established a decade earlier (pledges US$ 3.4 billion with a continuing process). GAVI had its first pledging conference in 2011 and had previously had a rolling schedule of fund mobilisation which continues to some extent (US$ 5 billion 2011-15 of direct grants and pledges - see further discussion of GAVI funding modalities below). IFAD and the Global Fund have had similar replenishment processes to the GEF but on a three year cycle (Last replenishments of IFAD US$ 1.4 billion and of the Global Fund (US$ 11.7 billion).

45. IFAD has 13% of its contributions from non-OECD-DAC donors. This compares with less than 3% in the GEF, only 1% in the Global Fund and less in the other Funds. Although IFAD did have considerable contributions from oil rich countries, this is no longer particularly the case and the most substantial contributions from non-OECD DAC countries come from Algeria, Brazil, China, India, Indonesia and Saudi Arabia. The Global Fund, and to an even greater extent GAVI, are intended to include private sector and foundation donors. Health, as noted above, has been a private sector and foundations priority. Nevertheless, in the Global Fund last replenishment the Gates Foundation

accounted for 4.3% and the remainder of the Private Sector and NGOs only 0.4%. In GAVI Gates accounts for 26% of 2011-15 grants and pledges but other private and NGOs slightly under 1%.

46. Among the OECD-DAC donors the pattern of contribution is very much in line with national priorities. Not all OECD-DAC major donors contribute to all funds and the largest donors are not generally the largest donors overall or the wealthiest countries. The US is only the largest donor to the Global Fund with France the second. The UK is the largest single donor in the other funds, as it is in IDA and the second donor for the Global Partnership for Education is the Netherlands, for GAVI Norway and for IFAD, the USA as second donor, contributes only slightly more than the Netherlands.

47. Notably the European Commission is a pledging donor to all the funds except IFAD where it does have a trust fund relationship.

48. GAVI is notable for its innovative financing mechanisms. In addition to cash received in much the same way as in the GEF, it has decided that immunisation of children now is of such high priority that some funds in the future can be foregone by borrowing against future funding in view of the verifiably high development benefits from immunisation. The International Finance Facility for Immunisation, for which the World Bank acts as Treasury Manager, issues bonds backed by donor commitments. To ensure that the US dollar value of the bonds can be met when they are redeemed swaps are entered into for the purchase of US dollars with the committed currencies such as the Euro and British Pound to US$ (hedging). This means that there is a cost in reducing risk but money is immediately available. GAVI also has a mechanism "Advance Market Commitment (AMC)" whereby donors commit funding to the purchase of vaccines once they are developed, in-manufacture and meet pre-agreed criteria on cost, availability and effectiveness. The so called on-demand donors deposit the funds with the World Bank as funds are needed, while other donors make payments on agreed payment schedules. The World Bank holds the AMC directly on its balance sheet, providing further backing to donor commitments.

49. While it is clear that the work of the GEF is in no way comparable to that on immunisation, there is scope to examine whether the urgency of environmental issues means that there are any lessons to be learned in:

- gaining incremental funding available today through utilisation of long-tem pledges as in the funding mechanisms in support of GAVI; and
- in stimulus to private sector action by guarantees of payment after certain criteria of effective action have been met.

- There has been a marked increase in the funding by OECD-DAC donors for the environment in recent years. This may not be sustained because of the overall decline in their assistance, particularly European donors faced with financial crises and policy constraints in North America. Any decline in developed country funding is unlikely to be covered by the emerging economies in the near term and their economic growth has also been slowing, however they could be stimulated to shift more of their ODA priority to the environment, especially as the environment becomes a growing issue in their national contexts. The data demonstrates that the private sector is most unlikely to be a significant source of donations for environmental funding and that although there has been some rise overall in NGO funding, any increase in NGO funding for the environment will also be at the margin. The mobilization of non-conventional funding, including that from carbon credits is in its infancy.

- There has been a rise in the number of environment funds particularly those addressing the climate and forests. Most of these are relatively small, with the exception of the Climate Investment Funds disbursed through the World Bank and the Regional Development Banks. Several of the funds are serviced by the GEF secretariat and several of the other multilateral funds by the World Bank. There has not been an increase in Government funding of NGOs. Major fragmentation of effort in environmental ODA has not occurred and by acting in concert with GEF and the World Bank, donors may achieve greater coordination, policy coherence and quality of technical input than by acting bilaterally.

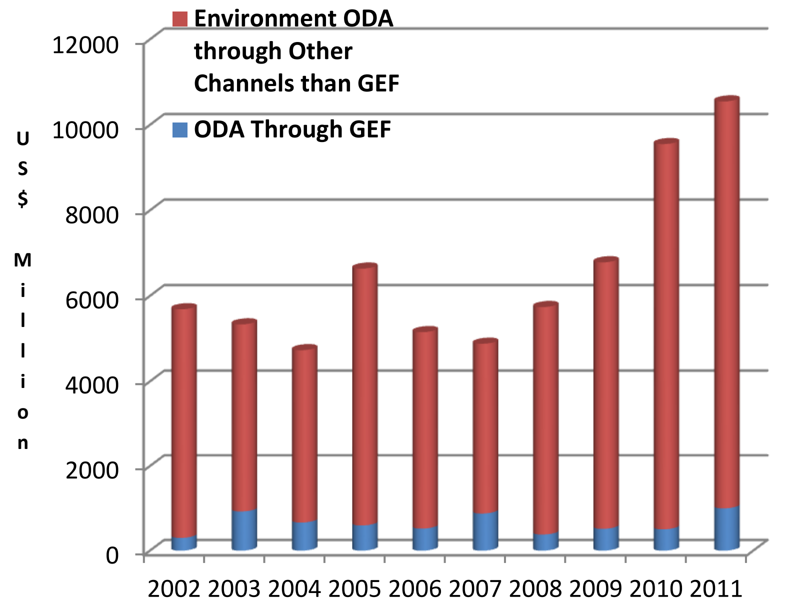
In Conclusion

Constant US$ million (2011)

	ODA Through GEF	Environment ODA through Other Channels than GEF
2002	302	5386
2003	928	4407
2004	665	4066
2005	595	6044
2006	522	4632
2007	878	4004
2008	381	5359
2009	516	6270
2010	505	9048
2011	1000	9550

Figure 10: GEF - Trend in Total OECD-DAC Environment ODA and ODA Through GEF

Constant 2011 US$ million



Source: Estimates from OECD-DAC data on total environmental assistance and World Bank Financial Intermediaries Trust Fund Data Base for GEF contributions

50. The funding of the GEF has not benefitted fully in proportion to the rise in OECD DAC environmental ODA, but leaving aside the funds addressing the climate, including the Climate Investment Funds which employ a different modality, the GEF has benefited to the same extent as other environment funds and to a greater extent than the NGOs (see Figure 10). It has not received replenishments more generous than those in other global priority areas (health and agriculture). The Global Fund and IFAD received replenishments in comparable periods. The average annual increase at constant prices of the most recent replenishment since the previous was 5% for both the Global Fund and GEF and 8% for IFAD[13]. All the Funds attracted greater increases than IDA which averaged 3% per year increase at constant prices from IDA 15 to IDA 16[14].

51. The preparation of this working paper has shown the problems of achieving coherence in definitions and in consolidating information on ODA for the environment. It has also shown that fragmentation of action in environmental ODA is not as extensive as some commentators suggest. There is reason to believe that it is better than in many other sectors. Despite the set-backs, the

[13] IFAD and the Global Fund replenishments were for three years and occurred in 2008 and 2011 for IFAD and 2007 and 2011 for the Global Fund. The GEF Replenishments for four years occurred in 2006 and 2010

[14] IDA was replenished for 3 years in 2007 and 2010.

world is more united on environmental issues than on many other of its besetting problems. There is however, an absence of consolidated information and comprehensive but focused inter-governmental dialogue on ODA policy priorities for the environment as a whole, which brings together the multilateral, national donor agencies and developing country national agencies at a senior working level and the environmentalists concerned with the Global Conventions.

- It is suggested that GEF, UNEP and the World Bank consider reviewing how by acting in concert they could improve the focus of ODA and multilateral lending for the environment on agreed priorities. The GEF and the World Bank already perform a coordination role with respect to several funds and UNEP has a clear policy mandate.
  One possible way of moving forward is for the three agencies to jointly explore the establishment of a periodic forum which would address the establishment of clear priorities for environmental ODA over a four year cycle and monitor the extent to which resources are being mobilised and disbursed against those priorities from all international sources of funds. Rather than a large, and thus in all likelihood unfocused meeting: This could be a senior and representative group which makes its report available through diverse channels. The report could hopefully be placed on the agenda of appropriate fora, including those of the GEF, UNEP and the OECD-DAC, but also at the disposal of G20 and G8 preparatory processes and the boards of the Multilateral Development Finance Institutions.

III. Donor Priority to the GEF - Expanding the Contribution Base and a Reference Framework for Contributions to the GEF

Contributors priority to the GEF

Figure 11 Contributors' Priority in their Funding of the GEF

GEF Contributors	Priority* GEF Contributors Gave to Pledges to GEF 5 Compared with:					Performance in timely Payment** +1 Advance payment 0 Timely Payment -1 Late or no Payment	Total of Scores
	Total ODA Disbursement OECD-DAC 2009-12	Total ODA for Environment OECD-DAC 2009-11	UN Contribution scale 2012 (capacity to pay)	IDA 16 (2011			
Australia	-1	+1	0	0		0	0
Austria	+1	+1	+1	0		0	+3
Belgium	+1	+1	+1	-1		-1	+1
Brazil			-1	0		-1	-2
Canada	+1	+1	+1	0		+1	+4
China			-1	-1		+1	-1
Czech Rep	0	+1	-1	+1		0	+1
Denmark	0	+1	+1	+1		0	+3
Finland	+1	+1	+1	+1		0	+4
France	0	0	0	0		+1	+1
Germany	+1	0	+1	+1		0	+3
Greece	-1	+1	-1	+1		-1	-1
India			-1	+1		0	0
Ireland	-1	0	-1	0		0	-2
Italy	0	0	-1	0		-1	-2
Japan	+1	-1	0	0		0	0
Korea, Republic of	-1	-1	-1	-1		0	-4
Luxembourg	-1	+1	+1	0		0	+1
Mexico			-1	-1		0	-2

GEF Contributors	Priority* GEF Contributors Gave to Pledges to GEF 5 Compared with:					Performance in timely Payment** +1 Advance payment 0 Timely Payment -1 Late or no Payment	Total of Scores
	Total ODA Disbursement OECD-DAC 2009-12	Total ODA for Environment OECD-DAC 2009-11	UN Contribution scale 2012 (capacity to pay)	IDA 16 (2011			
Netherlands	-1	+1	+1	0		0	+1
New Zealand	-1	+1	-1	0		0	-1
Nigeria			+1	+1		-1	+1
Norway	-1	-1	+1	0		0	-1
Pakistan			+1	+1		-1	+1
Portugal	-1	0	-1	+1		0	-1
Russian Federation	-1		-1	-1		0	-3
Slovenia	+1		+1	+1		0	+3
South Africa			-1	+1		0	0
Spain	-1	-1	-1	-1		-1	-5
Sweden	0	+1	+1	0		0	+2
Switzerland	+1	0	+1	0		0	+2
United Kingdom	0	+1	0	-1		0	0
United States of America	-1	+1	-1	0		-1	-2

*Priority to the GEF was accorded on the basis of if there was more or less than 25% divergence from the overall pattern of the contributor's contribution. -1 means that the GEF received 25% less than the proportionate allocation in that category. 0 means that the GEF received neither 25% less or 25% more than the proportionate allocation in that category and +1 means that the GEF received 25% more than the proportionate allocation in that category.
**Performance in timely payment accorded +1 to advance payment, 0 to payment on schedule and -1 to delayed payment

52. Figure 11 (in an approximation) and Table 4 demonstrate the disparity between the priority contributors accord to the GEF, in terms of the UN scale of contributions, their contributions to IDA, their total ODA and their ODA for the environment. Annex Table 6 further shows that these divergences of priorities among the top aid donors are highly pronounced. Although such scoring is very approximate, it does highlight that among the major donors Canada and Finland have accorded a particularly high priority to the GEF and that Germany, Denmark, Sweden and Switzerland have given the GEF a relative priority. Figure 11 also provides an indication of performance in timely payment, but does not fully capture particularly late performance in meeting pledges for instance in the case of Italy. It does not include major non-contributors, including the Gulf states.

53. The USA remains the largest ODA donor (although far from this in per capita terms). Although the USA remains the largest donor to the GEF on the basis of pledges, it accords the GEF no overall priority in its ODA. It is a relatively modest donor to the environment but prioritises the GEF in the total ODA it makes to the environment. By far and away the largest donor for the environment is Japan, responsible for over 40% of commitments among the OECD DAC group, although it only ranks fifth in terms of total ODA (and is also much less of a donor in per capita terms). Japan is however the second largest contributor to the GEF. While the sums of money involved are much smaller, the Netherlands is the largest contributor to the UNEP core budget and several of the top 15 donors did not contribute to the UNEP 2012-13 core budget (Belgium, Italy, Spain). Annex Table 6 shows that with some significant exceptions, such as Italy and Spain, the order of contributions to GEF among major donors is the same as the order of their contributions on the UN scale, the magnitude of their contributions, is not however, as can be seen from Figure 11. The divergence in donor priorities in other Funds was discussed in Section II. More detail on these factors is captured in the discussion below.

Reference Base for GEF Contributions

54. **IDA:** When the GEF was initiated in 1994 (GEF 1), IDA was taken as a model and the GEF traditional OECD donors adopted a burden sharing formula based on commitments to IDA 10 (1993) for their contributions to the GEF. The most recent pledges to IDA 16 (July 2011) and those made to GEF 5 July 2010) bear no relationship to IDA 10 as demonstrated by Table 3. Any continued reference to this base is a confusing historical element now dating from 20 years ago in a very different world economically. In the intervening period a significant number of contributors to IDA have emerged among the middle income countries (27% of IDA 16 contributions came from countries which do not contribute to the GEF[15]). There has also been a shift in some OECD countries priorities for Development Assistance (ODA), as well as the share of their GDP devoted to ODA. Thus, as can be seen from Column d -Table 3, there are major differences between contributions to IDA 10 and IDA 16.

Table 3: GEF 5 Pledges Compared to IDA Base 10 (1993) and IDA 16 (2011)

	Percentage of pledges to GEF 5	GEF Burden Share Based on IDA 10	Share of IDA 16 Pledges*	Difference IDA 16 Contributions less IDA 10 Basic Contribution	Amount % Pledge to GEF 5 is higher or lower than IDA 16 percentage Pledge
	a	b	c	d	e
Australia	2.3%	1.63%	2.7%	+1.08%	-0.40%
Austria	1.8%	1.01%	2.1%	+1.06%	-0.31%
Belgium	3.4%	1.73%	2.1%	+0.33%	+1.32%
Brazil	0.4%	0%	0.4%	+0.38%	-0.03%
Canada	5.9%	4.79%	5.3%	+0.55%	+0.58%
China	0.4%	0.00%	0.6%	+0.64%	-0.21%
Czech Rep	0.2%	0%	0.1%	+0.07%	+0.13%
Denmark	2.3%	1.45%	1.4%	-0.02%	+0.87%

[15] Among the contributors to IDA which do not contribute to the GEF were the high Income countries of Saudi Arabia, Kuwait and Singapore, but also a significant number of middle income countries.

	Percentage of pledges to GEF 5	GEF Burden Share Based on IDA 10	Share of IDA 16 Pledges*	Difference IDA 16 Contributions less IDA 10 Basic Contribution	Amount % Pledge to GEF 5 is higher or lower than IDA 16 percentage Pledge
	a	b	c	d	e
Finland	2.5%	1.12%	1.3%	+0.17%	+1.17%
France	8.5%	7.61%	6.6%	-1.03%	+1.91%
Germany	13.7%	12.30%	8.4%	-3.92%	5.31%
Greece	0.2%	0.06%	0.0%	-0.06%	+0.17%
India	0.3%	0%	0.0%	0.00%	+0.28%
Ireland	0.2%	0.12%	0.0%	-0.12%	+0.25%
Italy	2.5%	4.91%	3.1%	-1.84%	-0.57%
Japan	14.4%	19.71%	14.2%	-5.50%	+0.22%
Korea, Republic of	0.2%	0.26%	1.3%	+1.06%	-1.09%
Luxembourg	0.2%	0.06%	0.2%	+0.19%	-0.07%
Mexico	0.3%	0%	0.4%	+0.40%	-0.11%
Netherlands	3.3%	3.69%	3.9%	+0.26%	-0.68%
New Zealand	0.2%	0.13%	0.2%	+0.03%	+0.02%
Nigeria	0.2%	0%	0.0%	+0.00%	+0.17%
Norway	1.7%	1.61%	1.8%	+0.15%	-0.07%
Pakistan	0.2%	0%	0.0%	+0.00%	+0.16%
Portugal	0.2%	0.13%	0.1%	-0.02%	+0.06%
Russian Federation	0.3%	0%	1.3%	+1.31%	-1.00%
Slovenia	0.2%	0.03%	0.0%	+0.00%	+0.15%
South Africa	0.2%	0%	0.1%	+0.14%	+0.05%
Spain	1.2%	1.12%	4.1%	2.96%	-2.87%
Sweden	3.7%	2.93%	3.9%	0.97%	-0.16%
Switzerland	3.3%	2.53%	2.8%	0.24%	+0.53%
United Kingdom	9.4%	7.74%	15.9%	8.13%	-6.48%
United States of America	16.4%	23.33%	15.7%	-7.61%	+0.71%
* Note the percentages are a redistribution among GEF contributors (totalling 100%).GEF contributors only account for 73% of total pledges to IDA 16.					

55. Table 3 column e and Figure 11 above demonstrate that countries' priority for ODA through IDA were significantly different from that for GEF 5. GEF also received notable pledges from some lower middle income countries which do not contribute to IDA (India, Nigeria, Pakistan).

56. **The UN Scale of Contributions** to its Assessed Budget (which is not voluntary) provides an objective base of countries' capacity to pay. It is calculated using a formula, which balances total income (GNI) and per capita income, with a minimum charge, even for the smallest and poorest

countries. This scale is applied in the UN and its specialized agencies. It thus provides a basic and universal reference point as distinct from other scales which are largely based on willingness to pay.

Table 4 Ranking of 15 Largest ODA Donors in Terms of Contributions to ODA, UN, UNEP and GEF

Country	Ranking Where 1 is Highest Amount of Money and 15 the Lowest				
	Total ODA Disbursement 2009-12	Value of Environment ODA Commitments 2009-11	UN Contribution scale	Pledges to GEF 5	UNEP Pledges 2012-13
United States of America	1	6	1	1	3
Japan	5	1	2	2	11
Germany	2	2	3	3	2
United Kingdom	3	4	4	4	5
France	4	3	5	5	4
Italy	12	15	6	11	No pledge
Canada	7	7	7	6	9
Spain	10	9	8	15	No pledge
Australia	11	13	9	13	12
Netherlands	6	10	10	9	1
Switzerland	13	14	11	10	8
Belgium	15	11	12	8	No pledge
Sweden	8	8	13	7	6
Norway	9	5	14	14	10
Denmark	14	12	15	12	7

57. In 2002 UNEP introduced a voluntary indicative scale of contributions based on the UN scale. It was adjudged that capacity to pay was the key criteria and not contribution to environmental deterioration. The experience with the indicative scale was assessed in 2006 when it was concluded that the scale had been quite effective in expanding the number of countries contributing to UNEP and although the contribution of most of these countries was small, cumulatively it was substantial[16]. The scale was not however, having a great influence on larger contributors and some GEF contributors do not currently contribute to UNEP (for detail see Annex Table 6)[17] The indicative scale of contributions was judged to have had the maximum impact it could and it no longer appears to be referred to.

58. The UN scale of contributions provides a valuable point of reference on countries' capacity to pay. The balance of contributions to IDA 16 well demonstrated the value of also drawing on countries' willingness to pay (presumably driven in that case by their conviction of the value of the IDA anti-poverty priority and its modalities).

[16] UNEP/GC/24/INF/22 December 2006

[17] GEF contributors not currently contributing to UNEP include Belgium, Brazil, Italy, South Africa and Spain. The USA asked to be dropped from the indicative contribution list

Expanding the GEF Contribution Base

59. As with the UN scale of contributions which have a floor contribution, for GEF 1 a minimum of SDR 4.0 million (US$ 5.5 million) was established as the minimum contribution to the GEF. At current prices this would be US$ 8.1 million. The 2nd meeting of the GEF-6 replenishment (September 2013) agreed in principle to an inflation adjusted minimum contribution, beginning GEF-7. Some of the middle income countries contributing to the GEF, including China, do so at a lower level than would be the case if the UN scale of contributions were to be applied. While not wishing to discourage smaller and poorer middle income countries from contributing to the GEF, which could be the result of increasing the minimum amount, this also points to the desirability of a base-reference scale for GEF contributions.

60. As discussed in section II, several national donors have trust funds with the World Bank for environment work. Other Global Funds have various forms of bilateral trust funding and the GEF could possibly achieve greater coherence in use of bilateral donor funds if this option were to be opened-up within the framework of the GEF itself.

61. Annex Table 6 also shows that the contribution percentage of middle income countries to the GEF was lower than their percentage contributions to the UN and this is much more the case if the middle income countries are considered in total. Section II notes that while other global funds have generally been less successful than the GEF in mobilising contributions from middle income countries, IFAD is a marked exception to this. Other global funds have been successful in including the European Commission (EC) among their contributors, which is not the case with the GEF, although the environment is an EC priority (EU institutions contributed 6.5% of OECD-DAC environment ODA 2009-11).

62. Section II also discusses the role of the NGO and private foundations in financing for development and in other global funds and it is concluded that they are unlikely to provide a significant source of funding for the GEF.

63. **Conclusion**: IDA 10 (1993) provides absolutely no basis for a GEF scale of contributions when referenced against any pertinent criteria (see Figure 11 and Tables 3 and 4). IDA itself is not a point of reference because it does not reflect countries' capacity to pay or the priority they accord to ODA or to the environment within their ODA.

64. While in making the case for support to the GEF in national budgets, some donors may refer primarily to their historical contribution, some to contributions to other funds and programmes and some to the contribution levels of their peers: In the medium-term following completion of the GEF 6 Replenishment and the immediate discussion of contribution pledges, there could be advantages to a healthy discussion in the GEF on a reference framework for GEF contributions, not driven by the exigencies of a Replenishment. Such a framework could usefully be discussed from the perspective of creating a moral commitment on floor contribution levels, rather than maxima. A starting point for this discussion could be formed by the UN scale of contributions and a priority could be widening the donor base, especially among the upper middle income countries and those high income countries which are not currently GEF contributors. Although the possibility of non-governmental and private sources of funding for the GEF should not be ruled out, it is unlikely to provide an immediate source of significant contributions.

IV. GEF Cash Flow and the Availability of Resources for Commitment

Replenishment Agreements and the Flow of Funds

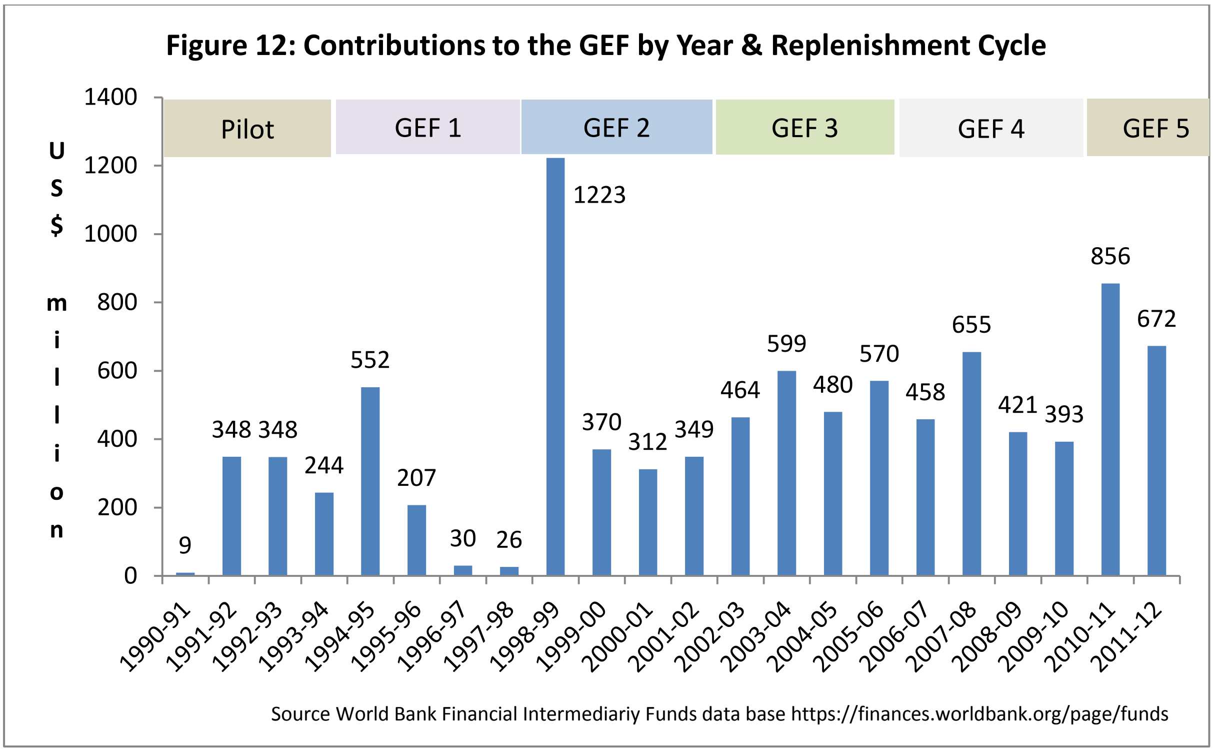
65. The Replenishment Cycle of the GEF is intended to run for four years from 1 July to 30 June Beginning GEF 1: 1994; GEF 2: 1998; GEF 3: 2002; GEF 4: 2006 and GEF 5 2010. In the cases of the first, second, and fifth replenishments the replenishment was agreed in the July. In other cases the replenishment was agreed a few months later (see Table 5). This however, does not mean that contributions are immediately received. The first substantial contributions came in from 4-5 months after 1 July (GEF 1 and GEF 5) to 9-11 months later for GEF 2 and 3. The Trustee only declares the replenishment effective when Instruments of Commitment (IoCs) have been received for not less than 60 percent of the total pledged contributions of all Contributing Participants. In effect this date does not have a bearing on decision on commitments as small commitments start to be made as soon as contributions begin to flow in and as from GEF 5 an advance commitment procedure was introduced, which permits commitments to be made once a threshold of IoCs have been received and the replenishment period is open immediately upon approval of the World Bank Executive Directors.

66. Although, the standard procedures for Instruments of Commitment (IoCs) by GEF contributors are designed to secure a steady flow of resources over a Replenishment Cycle, this is not being achieved in practice, because:

- There has been a delay of at least six months in the three most recent replenishments between the theoretical July start date of the replenishment and the GEF being in a position to enter into any commitments against that replenishment, with receipt of IoCs. Since funds continue to come into the GEF for each replenishment after the close of the replenishment there is a continuing inflow of resources from those payments coming in latterly and contributions to the next Replenishment, but the pattern of receipt of resources is by no means even, as can be seen from Figure 12. To avoid this problem discussions on Replenishment have begun earlier in the Replenishment cycle and hopefully donor agreement can in consequence be reached earlier but this is by no means certain.
- Arrears and late payments (see below).

Table 5: Replenishment Cycle, Approval Dates and the Flow of Funds

	Period Covered by Replenishment		WB Board Approval of Replenishment Level	Date Replen-ishment Declared Effective	Dates first substantial contributions received	Dates of First Commitments to Projects, etc. Against the Replenishment
	1 July	30 June				
GEF1	1994	1998	n.a.	20.11.1994	Oct-Dec 94	July-Sept 94
GEF2	1998	2002	14 7 1998	n.a.	Apr-Jun 99	Oct-Dec 98
GEF3	2002	2006	Oct 2002	24.3.2003	Apr-Jun 03	Jan-Mch 03
GEF4	2006	2010	Sept 2006	8.2.2007	Jan-Mch 07	Jan-Mch 07
GEF5	2010	2014	19 July 2010	16.3.2011	Oct-Dec 10	Jan-Mch 11



Arrears and Delayed Payments

67. Only three major contributors to the GEF have been in significant arrears at any stage of the GEF (Belgium for a short period[18], Italy and the USA). Other contributors who have at times been in arrears or continue to be in arrears are Argentina, Brazil, Egypt, Nigeria, Pakistan and Portugal and most recently during GEF 5, Greece and Spain both in severe situations of budget deficit and recession. Argentina was only a contributor to GEF 1 and cleared its arrears in 2011 (Egypt was also only a contributor to the Pilot Phase and GEF 1). Arrears present problems of definition. Contributors which make a pledge but fail to deposit instruments of commitment are not technically in default. information on this is presented separately to the Fund Council. During GEF 4 Italy made its pledge but did not deposit its instruments of commitment. For GEF 5 it also made a pledge, did not deposit its instrument of commitment but made a payment. Italy has now deposited instruments of commitment for GEF 4 and 5 and agreed a schedule for payments beginning in 2013 and is thus not technically in arrears. Nigeria has not deposited its instrument of commitment for GEF 4 and Brazil, Greece, Nigeria, Pakistan and Portugal had not as of June 2013 done so for GEF 5.

[18] Belgium cleared its arrears to GEF 3 in 2007, about a year after the end of the funding cycle.

Table 6: Cumulative Pledges Unpaid for Replenishments GEF1-GEF 4 By Country May 2013				
Country	Pledges US$ million GEF 1-4	Contributions Paid US$ million GEF 1-4	US$ unpaid GEF 1-4	% Paid GEF 1-4
USA	1610	1475	135	8.4%
Italy	418.9	301.7	117.2	28.0%
Egypt	5.6	4.9	0.7	12.5%
Nigeria	16.8	9.7	7.1	42.3%
Total - all countries	8517.4	8257.4	260	3.1%
Source: World Bank Trustee Contribution Status Report May 2013				

68. GEF 5 is currently in significant arrears but does not complete until June 2014. The arrears in absolute terms for unmet pledges up to the end of GEF 4 were only significant for two countries, the USA and Italy (see Table 6). The cumulative overall deficit was 3.1% for GEF 1-4.

69. Contributors may make their pledges and instruments of commitment conditional. For GEF 3 the USA made US$ 70 million of its pledge conditional upon the GEF achieving performance measures which were not realised and the contribution was thus not made. Many of the European donors and Japan have made pro-rata commitments conditional for part of their commitment upon major donors fulfilling their commitments. This has caused sizable payments to be withheld over the years. The last contributors following this practice (France, Germany and Japan) released their payments in 2013, although the conditions for payments by major donors had not been fully met, as they became convinced that this practice was not placing pressure on the main donors in default and was thus only resulting in less funding available to the GEF. This practice of pro-rata linkage in instruments of commitment which was also permitted for IDA, and the AfDF has now been discontinued for those funds. Hopefully there will be no resumption of the practice for GEF 6, although some donors are apparently keen to maintain the provision in the GEF Instruments.

Table 7: Donor Commitments Outstanding After the End of Each Replenishment			
	Period Covered by Replenishment		% of Unpaid contributions compared to pledges in the September following the end of each Replenishment Cycle
	1 July	30 June	
GEF1	1994	1998	1.1%
GEF2	1998	2002	4.3%
GEF3	2002	2006	2.7%
GEF4	2006	2010	3.2%
Source Trustee Reports to the Fund Council			

70. The percentage of contributions unpaid compared to cumulative pledges over the life of the GEF from the pilot phase which remained unpaid in the September of the year in which the Replenishment Cycle ends in June has fluctuated between 1.1% (end GEF 1) and 4.3% (end GEF 2). The implications for the total funding the GEF could undertake at the start of GEF 5 amounted to a little over 3%. Late payments result in both reduced purchasing power and loss of investment income to the GEF. Previously there were also deferred payments[19] pending settlement of arrears

[19] On September 30 2010 France had deferred contributions equivalent to US$ 58 million and Japan US$ 185 million from GEF 2 & 3, Germany US$ 19 million from GEF 3.

and the combined effect cumulatively of this was over 6% on the capacity of the GEF to undertake commitments by the start of GEF 5. As the GEF is now three quarters of the way through the GEF 5 funding cycle the situation has improved with the release of deferred contributions by Japan, France and Germany but deteriorated with those countries most affected in their budgets by the financial crisis including the USA, Italy, Spain, Portugal and Greece, becoming particularly late in contributing against their pledges.

71. As of 30 June 2013 a total of US$ 298 million was outstanding against pledges (combined figure for non deposit of IOCs and arrears in deposit of funds). In the past there has been a move to regularise payments as the GEF Funding Cycle draws to a close and a new round of Replenishment discussions are underway and this happened currently in the case of Italy. However, the deep financial difficulties of several donor countries and the extension of the practice of making a pledge but not depositing instruments of commitment may contribute to less optimism.

72. **Arrears thus continue to be a significant problem to the GEF, although by no means unique to the GEF.** The US$ 587 million outstanding against pledged during the first half of 2013 represented 4.6% of cumulative total of resources pledged to be contributed to the GEF and 16.6% of the amount pledged for GEF5.

Encouraging Contributors to Make their Payments on Time

73. **Transparency:** The status of contributions to the GEF, including those contributors in arrears or not having deposited instruments of commitment is reported to the GEF Council at each meeting by the World Bank as Trustee. The way of reporting does not easily convey the impact of the arrears on the GEF's funding capacity and the Trustee Report is an information document, not tabled for discussion, although members may raise issues under Any Other Business. Although most GEF Council members appear to be aware of the financial situation, consideration should be given to placing the GEF financial situation as a standing item on the Council agenda (see below). Publicity of contributors in arrears such as displaying the situation on the Home Page of the website has been discussed in UN agencies, but the practice has not been adopted as a result of lobbying and judgement that it could be counterproductive with respect to the largest contributors. An alternative would be to publicise those contributors which pay early.

74. In the UN system contributions are not voluntary. Those countries whose total contributions fall below their contributions due for the last two years lose their voting rights in governing bodies, including the UN General Assembly[20]. There is some anecdotal evidence that this provision has deterred the USA from ever allowing its arrears to cross this threshold. Voting weight in the GEF is determined by actual contributions, not pledges but in the GEF there has never been voting. A more radical version of the UN provision, such as denial of the right to speak, might prove a negative incentive to some donors to remain as contributors to the GEF and a positive incentive for others to pay. The likely effectiveness of such a measure would need to be carefully weighed by members.

75. **Incentives to early payment:** The GEF provides an incentive to early cash payment (as a discount or credit). This practice is also common among other agencies and funds and some major contributors to the GEF have benefitted from its provisions. It has not provided a significant incentive for most contributors to advance their contributions and has no effect on arrears. If the incentive were to become in excess of interest earnings on the early payment, it would have the perverse effect of lowering the total funds available to the GEF.

[20] Article 19 of the UN Charter States: A Member of the United Nations which is in arrears in the payment of its financial contributions to the Organization shall have no vote in the General Assembly if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two full years. The General Assembly may, nevertheless, permit such a Member to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the Member.

76. **Conclusion:** A somewhat greater increase in transparency could improve the incentive to settle arrears, especially in the case of European contributors. The previous practice of deferring contributions, dependent upon other contributors not falling into arrears should be avoided as it has proved counter-productive, leaving the GEF with less funds without being an effective tool to exert pressure. The practice is no longer permitted in other funds, including IDA.

77. This study has not identified any measure to discourage arrears which has been proven to have a significant effect in other agencies or funds. However, a discussion in the GEF, once the current Replenishment is completed, of whether there are bottom-lines for non and late payment and what those bottom-lines should be for sanctions to cut in could be helpful in itself. Such a discussion could also possibly result in establishment of a useful set of principles. Practical discussion needs to focus on incentives for all significant donors which do not contribute in a timely way, not only the largest.

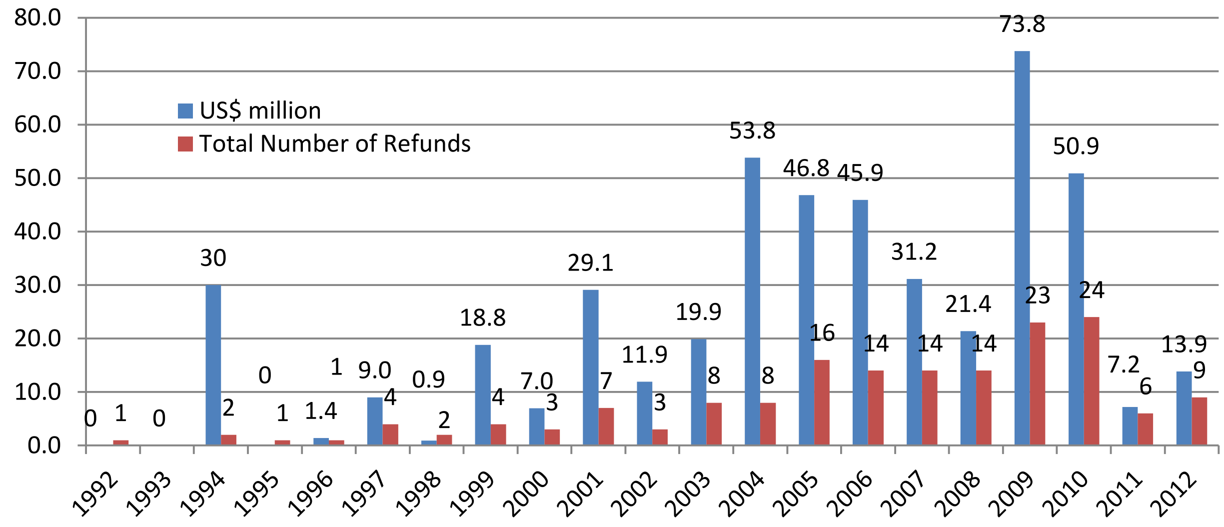
Term of Promissory Notes

78. Many GEF donors make their contributions through promissory notes deposited over the four years of the GEF Replenishment Cycle. Promissory notes are normally debited within the donor country from the donor agencies budget at the time of delivery of the promissory note and are a call on the national treasury for encashment. The Trustee reports that encashment schedules are up to seven years, in-line with the expenditure pattern for GEF projects (the GEF Evaluation Office reports that average project duration is five years). Shortening the encashment schedules would not normally have an impact on the budget and expenditure pattern of the donor agency. It would have the advantage that the currency risk from conversion of national currencies to the US$ would be reduced and the GEF would know earlier how much was available to expend in the currency of expenditure the US$. As funds would be with the GEF earlier investment income would also be increased[21].

[21] The Trustee has commented that encashment is aligned with the projected disbursement flow of funds to the Agencies estimated at the beginning of the replenishment period and in its view it is not prudent financial management to take a view on the behavior of investment markets to increase the financial returns (this latter point is difficult to understand because unless interest rates become negative there will always be some gain).

Refund of Unspent Commitments and Their Contribution to the GEF Funds Available for Commitment

Figure 13: Trend in Refund of Unspent GEF Commitments



Source World Bank Financial Intermediariy Funds data base https://finances.worldbank.org/page/funds

79. If project, administrative, or supervision funds are under spent, they are returned to the GEF for re-commitment. US$ 473 million of commitments has been refunded to the GEF since the beginning of the Pilot Phase in 1991 to the end of 2012 - equivalent to 3.5% of contributions. Of the commitments refunded 95.5% were for projects; 1.7% for project preparation and supervision and 2.8% administrative budget. The projects in the data base are those which have been approved for implementation and refund of the commitment may occur if the project is subsequently cancelled or is under-spent at closure. Figure 13 shows the pattern of refunds which is not as smooth as might be anticipated. Agencies are responsible for return of funds that have not been spent and make a quarterly report to the Trustee on the final expenditure at project closure. There is however, an unexplained lack of minor refunds, as projects with significant technical assistance components and small equipment items rarely spend 100% of total commitment (they would risk overspend) if they did which suggests under reporting. Processing refunds of commitments of a few thousand dollars would not make a substantial change in the GEF financial situation but also would not be difficult, as with the current system for transfer to the agencies no actual movement of money is required.

80. **Conclusion:** The efforts to ensure agencies report cancelled projects and projects under-spent at closure in a timely way should continue and all under-spending should be refunded for re-commitment.

Projects approved by the GEF Council for Preparation and Projects Approved for Implementation

81. Projects are approved by the GEF Council for preparation. At that time the Trustee sets aside an amount equivalent to the anticipated commitment (and these funds are no longer available for commitment). There is no legal commitment at this stage but an understanding on the part of the grantee and the GEF that if preparation and appraisal is satisfactory the project will be approved for implementation and a legal commitment will then apply. The GEF secretariat reported in its Annual

Monitoring Review for FY 12[22] that average time from project approval by Council to CEO Endorsement for full size projects was 17 months for FY 11 and 19 months for FY 12. (in November 2010 the Council established a standard of 18 months).

82. The amount of funds which the GEF has for commitment are thus influenced in two ways:

- Some of the funds set aside will not eventually be approved and legally committed and at that point will return to the funds available to the GEF for new projects.
- Project funds are in suspense pending a final decision on approval between the time a decision is taken to prepare and final approval because there is no soft project pipeline, although there is an indicative resource allocation system by country and a country programming process;

83. It should be emphasized that neither of these factors has any influence on the amount of funds the GEF finally approves. Since the GEF makes grants not loans, making a commitment earlier does not mean that there is any earlier payback or increase in funds. What is influenced is the time at which a grant can be made. Modification of the current practice would produce a one-off increase at that point in time of resources available for commitment, but not the eventual total resources available.

84. Cancellation of projects during preparation: Some projects are cancelled in the course of preparation and thus between the GEF Council approval and CEO endorsement. An effort was made to compare the level of Council approvals as reported by the GEF Secretariat in its annual monitoring report and the level of commitments entered into as reported in the Trustee entries in the World Bank Financial Intermediary Funds data base (https://finances.worldbank.org/page/funds). No consistent pattern could be found and no indication that significant funds could be released by allowance for this.

85. Soft-project pipelines are common in the UN system and bilaterals and legal commitment only occurs in the IFIs following appraisal and board approval. Preparation and appraisal frequently result in major changes in project fund allocation. During the six year period 2006-12, the GEF committed on average over US$ 700 million per year for projects and their supervision. If preparation is taking on average one year, the GEF could conservatively increase in one year the value of projects agreed for preparation but not approved by, e.g. US$ 400 million (about 60% of this sum). Such a possibility has previously been considered by the GEF and rejected. This would be a one-off addition and merely advances the time-frame, but would reflect the urgency the GEF attaches to its mission. As a proportion of the GEF 5 Replenishment it would have been a nearly ten percent increase[23].

86. **Conclusion:** In view of the delay in time between the approval of projects for preparation and the legal commitment to fund the project, the GEF Council could consider introducing into the programming process a soft pipeline of projects given approval in principle by the Council but with final approval subject to availability of funds, thus shortening further the interval between Council approval and CEO endorsement and providing a very significant increase in timely fund availability for GEF 6.

[22] Annual monitoring Review FY12: Part 1 GEF Council November 13-15, 2012

[23] The Trustee is of the view that this is not prudent financial management, as it allows the possibility that the GEF CEO or Council could finally approve projects to a higher level than funds available. How this would happen is unclear as the CEO or Council would be advised of the fund availability by the Trustee and would only have authority to approve up to the level of fund availability.

GEF Processes

87. **Joined up processes (secretariat, agencies, trustee)**: An independent review of the GEF systems[24] made recommendations on processes and IT systems. Its recommendations were agreed by the Trustee and GEF Secretariat. Included in the findings were: "*Operational Risk:* Fragmented data in disparate IT systems may lead to delays in project approvals, cash transfers to agencies and funds availability" and the recommendation that there should be "System integration and reduced manual and dual entry and Direct access by the Secretariat to funds availability data maintained by the Trustee in SAP". This recommendation is being acted on and progress with the system improvements is reported to the Council and the Replenishment.

88. **Agency fees:** Forty percent of agency fees are disbursed upon approval of the workplan (PIFs) 60% upon raising the commitment (project start). Although there may be some greater start-up agency support costs, in general these are spread over the life of the project. If an agency's project portfolio declines or approvals vary considerably year to year, which is likely to be the case in smaller agencies. The fee income could thus, be inadequate for project support in some years, if not managed well by an agency. A particular concern is that there may be insufficient funds to support terminal reporting. An incentive for timely completion of operational and financial closure of projects (an issue discussed above) would be provided if the fee income was paid in three tranches rather than two, reserving the final tranche for project closure.

V. Financial Transparency and Governance in The GEF

89. This study found no evidence of GEF contributors and recipients having any significant dissatisfaction with the GEF's financial management and governance. Trustee reports have become steadily clearer and more comprehensive over the years. The shift of the basis for accounting from an accrual method of accounting[25] to a cash basis should also make the Trustee statements more transparent and easier to use for overall financial control and for program budgeting. This having been said:

- **Governance:** GEF financial statements and the audit report were only placed on the Council Agenda in December 2006 but this has not occurred since. The GEF may have a governance gap when compared with other international agencies and financing institutions, most of which have a sub-committee within their governance structures responsible for finance and audit matters. The principle functions of such committees are increasingly to ensure that processes and controls are in place and are adhered to and to achieve a balance between the requirements of risk management, public accountability and efficiency. There is no reason to suggest that such processes and controls are not in place in the GEF and the absence of such a governance mechanism could be considered an efficiency gain, but it is also a risk. It may be noted that in January 2012 the World Bank's external auditor commented that deficiencies in reconciling GEF

[24] Conducted by Deloitte & Touche LLP October 2012 and reported to the GEF Council at its 2012 Autumn session
[25] Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

transactions resulted in a misstatement in the 2010 financial year statements[26] and had contributed significantly to the delayed issue of the statements[27].

- **GEF Audit reports** are provided to contributors and are apparently on the Web but were found difficult to locate, although they form an Annex to the GEF Annual reports. In comparable agencies and funds, they are easily publically accessible.
- **Frequency of agency audit:** A working level issue is the frequency of audit required of the agencies (annual). This has recently been raised as an issue by some agencies. UN agencies are generally on a biennial cycle for formal account closure. The requirement for annual audit was initially resisted and then accepted by UNDP and UNEP, but required them to put special arrangements in place. It seems questionable whether requiring significant departure from normal agency external audit practice is justified in this way: especially as it results in an additional cost to the GEF; some of the recent agencies have only small GEF programs; and an annual statement of account would suffice for central annual audit (which is the accepted norm for bilateral trust funds with the UN agencies).
- **GEF Financial Data:** GEF financial data as presented by the Trustee does not lend itself to time series analysis. Definitions are not always given and may not have been consistently applied over the years. There is a tendency for both Trustee and GEF Secretariat documents to present charts without the underlying numbers. Particularly unclear areas for data in an easily accessible form are a) Council Approvals and CEO Endorsements; b) Project cancellation and project under-spend. No central data base which this study had access to preserves any history project by project of these steps in financial terms. These are not secondary data, as is the case with the implementation steps that are in GEF agency data bases. This is in part being addressed through the development of the integrated IT platform[25]
- **Base contributions and the use of the SDR:** Among the Global TFs in the World Bank, the GEF is the only one to denominate Pledges in SDRs. Others use the US$. The US$ is also the base currency for the UN system and some of the regional multilateral banks (EBRD uses the Euro and AfDF the SDR). The use of the SDR in the GEF originated as IDA was taken as the model. However the SDR is only really used as a unit at the Replenishment. Pledges can be made in national currencies, unless the country concerned has an inflation rate of 10% or more or has a non convertible currency (in the latter case contributions should either be denominated in SDRs or US$). In GEF5, those few countries which did not pledge in their national currencies all pledged in US$. In GEF4 Nigeria and Turkey pledged in SDRs.

  It is argued that the continued use of the SDR avoids sensitivities about the choice of one currency (the US$) over others as the headline denominator (this is not clearly the case, as all pledges are publicised in terms of US$ as well as SDRs and countries are well used to the $ being the base in other trust funds and international organizations). It is also argued that use of the SDR (which is a basket of currencies) reduces the impact of currency fluctuation. This is only true to the extent that pledges in national currencies should show somewhat less fluctuation against the SDR than the US$. However, as all expenditures are in $, it gives less indication of the

[26] The data reconciliation issues are currently being addressed through development of the integrated IT platform - see also paragraph 88 above

[27] Paragraph 6, Options for Strengthening GEF Systems: Addressing the Findings and Recommendations of the Independent Review of GEF Systems GEF/42/Inf.12 GEF Council Meeting, June 2012

purchasing power of the pledges at the time of the pledge. In the GEF, the SDRs are only really used for statement of the national currency in the Pledge. Everything is then converted to and stated in US$ and the SDR is not tracked for financial purposes.

The use of the SDR renders the process less transparent to those not intimately involved. Its value added when balanced against this reduced transparency is not evident[28].

90. **Conclusion:** There is no evidence that GEF contributors or recipients are dissatisfied with financial reporting, governance or controls. However, to align the GEF with international practice and avoid the emergence of future risks, including of a decline in confidence. The GEF may consider:

- Measures to improve governance financial oversight;
- Further measures to improve transparency, including continued improvement in data access and presentation and access to audit reports.

[28] The Trustee does not share this conclusion as it states that the SDR forms the basis for the burden sharing formula (GEF/R.6/15 GEF-6 Replenishment: Additional Information on Financial Structure, Aug 2013). This paper however, and many GEF contributors do not regard the historical burden sharing formula as valid (see paragraphs 54-64 above) and in any case it too can be converted to US$.

Figures Included in the Text

Text and Annex Tables

Abbreviations Used in the Text

ADB	Asian Development Bank
ADF	Asian Development fund
AfDB	African Development Bank
AfDF	African Development fund
AMC	Gavi - Advance Market Commitment
AU	African Union
BNDES	Brazil National Development Bank
BRICS	Brazil, Russia, India, China, South Africa
CERCs	Certified Emissions Reduction Certificates
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECA	UN - Economic Commission for Africa
FAO	Food and Agriculture Organization of the UN
FCPF	Forest Carbon Partnership Facility
Gates	Bill and Melinda Gates Foundation
GAVI	Gavi alliance - formerly the Global Alliance for Vaccines and Immunisation
GCF	Green Climate Fund
GEF	Global Environment Facility
Global Fund	The Global Fund to Fight AIDS, Tuberculosis and Malaria
GNI	Gross National Income
IBRD	International Bank for Reconstruction and Development - World Bank
IDA	International Development Association - World Bank
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IFFI	International Finance Facility for Immunisation
IFIs	International Financing Institutions
IoC	Instrument of Commitment
IUCN	International Union for the Conservation of Nature
LDCF	Least Developed Countries Fund (GEF)
MFA	Multifunctional Areas
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OECD-DAC	Development Assistance Committee of the OECD
PROFOR	World Bank Multi-Donor Program for Forestry
REDD	Reducing Emissions from Deforestation and Forest Degradation
SCCF	Special Climate Change Fund (GEF)
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Education, Scientific and Cultural Organization
UNFCC	UN Framework Convention on Climate Change
WB	World Bank
WRI	World Resources Institute
WWF	World Wildlife Fund

VI. Annexes

Annex 1 Tables

Annex Table 1: Estimated Donor Contributions to ODA With Primary Purpose Contribution to Global Environmental Goals 2002-11 (US$ million 2011 Constant prices)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	76.4	97.7	79.1	75.0	85.9	124.5	128.6	130.1	86.2	116.9
Austria	16.6	10.4	16.9	40.1	30.9	26.0	25.8	14.2	22.1	24.4
Belgium	30.1	40.1	19.8	29.5	44.3	55.8	72.5	104.0	170.6	134.2
Canada	169.8	115.8	123.2	111.5	74.9	77.7	56.2	95.9	162.6	378.0
Denmark	181.3	198.8	152.2	179.7	140.7	170.4	149.4	173.9	192.4	192.4
Finland	73.2	53.3	53.0	65.7	45.5	65.1	82.9	128.6	141.3	134.0
France	200.8	190.1	207.3	219.8	277.7	255.9	424.6	654.6	1254.9	1361.4
Germany	492.5	526.7	454.4	800.7	643.4	655.0	880.7	826.9	1189.8	1527.4
Greece	12.4	17.6	9.5	9.9	6.4	10.7	9.8	10.5	5.8	3.9
Ireland	18.5	11.0	8.0	2.0	2.0	2.2	6.1	5.0	4.8	23.1
Italy	63.9	72.4	47.9	132.2	110.1	73.3	107.5	48.7	27.0	48.1
Japan	2608.1	2030.8	1648.4	2692.1	1886.2	1636.6	1737.6	1711.7	2370.7	2362.7
Korea, Rep. of	0.0	0.0	0.0	0.0	6.0	19.1	51.5	56.6	71.1	42.4
Luxembourg	1.4	0.7	0.6	0.6	1.6	2.0	4.2	5.5	7.5	6.9
Netherlands	70.5	151.8	177.0	366.7	243.3	196.2	245.8	301.6	265.4	155.2
New Zealand	5.0	9.0	9.2	11.9	11.0	9.3	8.8	4.7	6.9	7.5
Norway	256.8	202.9	191.2	186.6	175.9	211.4	235.7	362.1	581.8	620.8
Portugal	2.4	1.8	4.9	1.5	1.6	3.4	4.1	2.7	24.6	28.5
Spain	64.5	77.8	64.6	81.4	70.9	157.4	260.6	326.6	328.8	165.2
Sweden	303.7	249.5	269.9	275.6	358.2	312.6	301.8	349.3	323.7	334.0
Switzerland	282.4	184.9	157.3	79.2	55.6	42.4	44.3	62.8	75.7	91.6
United Kingdom	195.1	129.3	147.8	142.4	137.6	64.7	112.6	462.7	951.8	1172.0
United States	324.5	694.8	507.4	601.5	218.8	219.8	267.8	280.4	433.9	650.2
EU Institutions	238.0	267.7	382.2	534.2	525.1	491.5	521.1	667.7	853.1	969.2

Total OECD-DAC for which commitment data available	5687.9	5334.9	4731.4	6639.7	5153.6	4882.9	5740.1	6786.6	9552.4	10550.0

Annex Table 2: OECD DAC Countries ODA for the Environment 2009-11 (Total, Climate Change Mitigation and Biodiversity)

Countries	% of the Total OECD-DAC Commitment to Environment	% of countries' total commitments which for environment	% countries' environment commitment for climate mitigation	% countries' environment commitment for biodiversity	Countries	% of the Total OECD-DAC Commitment to Environment	% of countries' total commitments which for environment	% countries' environment commitment for climate mitigation	% countries' environment commitment for biodiversity
Japan	38.4%	34.0%	80.5%	19.5%	Denmark	1.2%	9.0%	38.6%	0.9%
Germany	13.2%	17.5%	60.9%	18.9%	Belgium	1.1%	7.7%	21.4%	12.2%
France	10.6%	16.0%	78.9%	2.8%	Australia	1.0%	3.9%	67.0%	22.5%
United Kingdom	6.5%	13.8%	60.3%	39.7%	Switzerland	0.6%	3.9%	59.3%	22.7%
EU Institutions	6.5%	5.7%	27.6%	9.8%	Korea	0.5%	4.3%	45.4%	0.7%
Norway	5.1%	17.4%	74.8%	23.5%	Italy	0.2%	2.8%	14.5%	18.6%
United States	5.0%	2.4%	45.4%	34.0%	Austria	0.2%	5.0%	50.7%	37.6%
Canada	2.7%	9.2%	31.3%	3.6%	Portugal	0.2%	6.0%	7.8%	2.8%
Sweden	2.1%	9.2%	14.4%	5.2%	Ireland	0.2%	3.8%	71.4%	25.7%
Spain	1.9%	7.2%	67.0%	11.5%	New Zealand	0.1%	2.3%	38.1%	6.7%
Finland	1.3%	16.0%	17.2%	4.7%	Luxembourg	0.0%	2.5%	6.1%	9.6%
Netherlands	1.3%	3.6%	39.8%	4.6%	Greece	0.0%	2.5%	38.1%	25.9%
					Total	100.0%	11.3%	64.6%	17.7%

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Annex Table 3 Contributions to Significant Environmental Funds 2002-12 US$ million 2011 constant Prices											
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
GEF	744	886	854	954	806	858	992	785	654	555	1138
Clean Technology Fund								232	1918	534	686
Strategic Climate Fund								661	351	1227	514
Least Developed Countries Fund	7	20	2	20	26	30	49	38	90	149	186
Adaptation Fund								42	128	43	20
UN REDD							13	45	55	103	16
Forest Carbon Partnership								85	39	133	
Ozone Trust Fund	90	104	57	63	67	137	41	44	21	5	43
Special Climate Change Fund				35	18	30	24	17	27	46	46
Sources of Data Sources WB Financial Intermediaries and Trust Fund Data Bases, UNDP Trust Fund Data Base -											

Annex Table 4 Total Income of Selected Major Environment NGOs- US$ million constant 2011$											
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
WWF (international consolidated account)	518	516	583	607	669	737	689	662	739	799	762
Conservation International	109	123	107	140	118	184	244	117	66	134	124
IUCN	93	103	104	98	106	116	129	130	116	115	
WRI	34	13	12	15	21	22	20	30	37	43	40
Excluding earned revenue (except in the case of IUCN where this cannot be distinguished) Sources : US IRS Form 990 for Conservation international and WRI. WWF International Annual reports. IUCN audited accounts.											

Annex Table 5: The Environment Lending and Grants of the World Bank and Regional Development Banks 2002-12												
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World Bank (IBRD & IDA)												
Annual loans and grants for Environment and Natural Resource Management	Constant 2011 prices US$ million	1,722	1,763	3,102	1,685	2,402	2,957	5,355	4,655	6,484	3,997	
	% of total lending and grants	6%	6%	11%	6%	8%	11%	11%	7%	14%	11%	
Asian Development Bank (ADB)												
Annual loans and grants which have environment as a theme	Constant 2011 prices US$ million	8,865	8,223	6,584	7,228	8,854	11,305	10,529	14,491	12,437	12,605	11,718
	% of total lending and grants	8%	15%	8%	13%	22%	9%	26%	32%	42%	56%	53%
Inter American Development Bank (IDB)												
Annual loans for Climate change, environmental sustainability and sustainable energy	Constant 2011 prices US$ million					566	566	566	566	3,656	3,521	3,689
	% of total lending and grants					5%	5%	5%	5%	27.60%	33%	33%
European Bank for Reconstruction and Development (EBRD)												
Annual loans for sustainable energy	Constant 2011 prices US$ million					941	1,279	2,339	1,865	2,861	3,711	2,974
	% of total lending and grants					15%	17%	31%	17%	24%	29%	26%
African Development Bank and Fund - no data available but environment lending and grants not a major priority												
Note: The data in this table are not comparable as in each case they have different definitions. The Asian Development Bank Data is for all lending and grants which have nay environment component and so gives much higher percentages of total lending. The figures for the IDB for the years 2006-2009 were only available as an average for those four years which was the base-line to demonstrate future progress in environmental lending												
Source Annual Reports of the Institutions and in the Case of the Asian Development Bank ADB Environment Program Greening Growth in Asia and the Pacific ISBN 978-92-9092-326-8, 2011												

Annex Table 6 Comparison of Contributions to Total ODA, UN, UNEP and GEF

Country	Pledges to GEF 5	Total ODA Disbursements OECD-DAC 2009-12	Total ODA for environment OECD-DAC 2009-11	UN Contribution scale 2012	UNEP Pledges 2012-13	Country	Pledges to GEF 5	Total ODA Disbursements OECD-DAC 2009-12	Total ODA for environment OECD-DAC 2009-11	UN Contribution scale 2012	UNEP Pledges 2012-13
	Contributions Percentages = 100 for GEF Contributors (i.e. excludes countries which are not GEF contributors)						Contributions Percentages = 100 for GEF Contributors (i.e. excludes countries which are not GEF contributors)				
Australia	2.3%	3.4%	0.9%	2.1%	1.7%	Luxembourg	0.2%	0.3%	0.1%	0.1%	0.9%
Austria	1.8%	0.9%	0.2%	0.9%	0.7%	Mexico	0.3%			2.6%	0.5%
Belgium	3.4%	2.0%	1.3%	1.2%	0.0%	Netherlands	3.3%	4.7%	1.4%	2.0%	14.4%
Brazil	0.4%			1.8%	0.0%	New Zealand	0.2%	0.3%	0.1%	0.3%	0.0%
Canada	5.9%	4.0%	3.0%	3.5%	4.3%	Nigeria	0.2%			0.1%	0.0%
China	0.4%			3.5%	0.7%	Norway	1.7%	3.6%	5.2%	1.0%	4.3%
Czech Republic	0.2%	0.2%	0.0%	0.4%	0.1%	Pakistan	0.2%			0.1%	0.0%
Denmark	2.3%	2.2%	1.3%	0.8%	6.3%	Portugal	0.2%	0.5%	0.2%	0.6%	0.1%
Finland	2.5%	1.0%	1.5%	0.6%	6.3%	Russian Federation	0.3%	0.4%		1.8%	1.3%
France	8.5%	9.6%	10.4%	6.7%	8.4%	Slovenia	0.2%	0.0%		0.1%	0.0%
Germany	13.7%	9.9%	15.1%	8.8%	13.9%	South Africa	0.2%			0.4%	0.0%
Greece	0.2%	0.4%	0.1%	0.8%	0.0%	Spain	1.2%	3.5%	2.2%	3.5%	0.0%
India	0.3%	0.2%		0.6%	0.1%	Sweden	3.7%	3.9%	2.2%	1.2%	7.0%
Ireland	0.2%	0.7%	0.2%	0.5%	0.7%	Switzerland	3.3%	2.2%	0.6%	1.2%	6.2%
Italy	2.5%	2.5%	0.2%	5.5%	0.0%	United Kingdom	9.4%	9.8%	6.8%	7.2%	8.2%
Japan	14.4%	8.0%	41.8%	13.7%	4.0%	United States	16.4%	22.2%	4.6%	24.1%	9.4%
Korea (Rep of)	0.2%	0.9%	0.5%	2.5%	0.4%	Total	100.0%	**	100.0%	100.00%	100%

Annex 2: Sources of Data and Considerations in its Analysis

Data on Official Development Assistance (ODA)

The source of data is the OECD-DAC Data Base as of August 2013
http://stats.oecd.org/Index.aspx?datasetcode=TABLE2A#

The total of donor commitments: Since 2002 OECD-DAC donors have recorded their commitments by calendar year for global environmental objectives in total and separately for climate change mitigation, biodiversity, and desertification. In 2010 Climate change adaptation was added. Donors record their commitments by A) Principal Purpose and B) Significant Purpose and there is a figure for total commitments. The total of donor commitments for environment as a whole was adjusted for anomalies in donor reporting. As there can only be one principal purpose and risk of double counting is therefore reduced, if the total for climate mitigation and for biodiversity exceeded the total for environment the total of the two was taken. This only occurred for a minority of donors and years.

The estimate of total disbursements: Donors also record their total ODA disbursement per calendar year. This is broken down by sectors but environment is not among these. The estimate of total disbursements was made by multiplying the average over three years of the percentage of commitments against the disbursements using the category A) Principal Purpose. The percentage of commitments was averaged over three years as the commitments take place before the disbursements.

Data on other non-OECD-DAC donors was taken from the OECD-DAC data base where reports are provided to it (e.g. Kuwait, Saudi Arabia, Russian Federation) and from diverse sources which are footnoted in the text for other donors.

Data on GEF Donor Income and Disbursements

Data on GEF Income and Disbursements was taken from the GEF Data in the World Bank Financial Intermediary Funds Data Base which is updated by the Trustee https://finances.worldbank.org/page/funds This data is reported by quarter and is thus available by calendar and financial year. For consistency in the technical paper calendar years have been used.

Data on GEF Arrears and on Pledges and Instruments of Commitment

Data were extracted from Trustee Reports to the GEF Council from the inception of the GEF to March 2013.

Data on Income of Other Environment Funds Operated by the World Bank and for Which the World Bank is Trustee

Data was extracted from the World Bank Financial Intermediary Funds Data Base (https://finances.worldbank.org/Financial-Intermediary-Funds/Contributions-to-Financial-Intermediary-Funds/536v-dxib) which is updated by the Trustee on: the Adaptation Fund, Clean technology fund, Special Climate Change Fund, Strategic Climate Fund, Green Climate Fund, Guyana REDD, Nagoya Protocol and GEF LDC Fund.

Annex 3: UN Governance for Collaboration with the Business Community in the UN System

Revised Guidelines on Cooperation between the United Nations and the Business Sector were issued by the UN Secretary General (UNSG) in 2009[29] defined a as a) For-profit, and commercial enterprises or businesses; b) Business associations and coalitions (cross-industry, multi-issue groups; issue-specific initiatives; and industry-focused initiatives).

The 2009 revised UN guidelines[30] for working in partnership with the business community included that, work between the UN and business entities should:

- Advance UN goals: The objective needs to be articulated clearly and must advance UN goals as laid out in the Charter;
- Share UN values and principles: The United Nations is interested in working with Business Sector entities that share its values, including internationally recognized principles concerning human rights, labour, the environment and anti-corruption;
- Have clear delineation of responsibilities and roles: When a partnership arrangement with the Business Sector will have financial implications for the UN, it should be implemented only with a formal written agreement delineating the respective responsibilities and roles of each party with defined timelines and measurable outputs;
- Maintain UN integrity and independence: Arrangements should not diminish the UN's integrity, independence and impartiality;
- Give no unfair advantage: Cooperation should not provide exclusivity in its collaboration or imply endorsement or preference of a particular Business Sector entity or its products or services;
- Ensure transparency: Cooperation with the Business Sector must be transparent. Information on the nature and scope of major cooperative arrangements should be available to the public at large.

The 2009 UNSG Guidelines identified the importance of the UN system in developing global norms and standards, in such areas as trade, human rights, employment and the environment and went on to identify three areas of UN collaboration:

a. Core business operations and value chains: Mobilizing innovative technologies, processes, financing mechanisms, products, services and skills of the Business Sector to create wealth and employment and develop and deliver affordable goods and services. The UN and a Business Sector partner may jointly support the development of integrated value chains in sectors with prospects of growth and/or collaboration to increase access to important goods and services that contribute to reducing poverty;

b. Social investments and philanthropy: Includes financial support as well as pro-bono goods and services, corporate volunteers and technical expertise;

c. Advocacy and policy dialogue: Initiatives that advance a specific cause in support of the UN goals or promote multi-stakeholder dialogue on issues related to the purposes and activities of the UN. Includes promoting a concept of corporate responsibility; working with companies to bring about change in their internal business practices to align with UN goals; and developing norms or guidelines to engage stakeholders in support of UN goals.

[29] Guidelines on Cooperation between the United Nations and Business Community Issued by the UN Secretary General November 2009

[30] Revised Guidelines on Cooperation between the United Nations and the Business Community. Issued by the Secretary-General of the United Nations November 2009

UN entities that engage the Business Sector as partners in their work should allocate adequate resources and develop the policy frameworks and institutional capacities needed for engagement in a mutually beneficial way and states that: “The UN will not engage with Business Sector entities that:

d. Are complicit in human rights abuses, tolerate forced or compulsory labour or the use of child labour, are involved in the sale or manufacture of anti-personnel landmines or cluster bombs, or that otherwise do not meet relevant obligations or responsibilities required by the United Nations;

e. Violate sanctions established by the UN Security Council;

f. Systematically fail to demonstrate commitment to meeting the principles of the UN Global Compact”

In other agencies in the UN system there has been further individual guideline developments, such as the Guiding Principles for Public-Private Collaboration for Humanitarian Action[31]. UNICEF, Save the Children Fund and the World Economic Forum are currently developing the Children’s Rights and Business Principles Initiative.

[31] Prepared by the World Economic Forum and the United Nations Office for the Coordination of Humanitarian Affairs – OCHA (2007)

Annex 4: Terms of Reference of the Working Paper

Terms of Reference for the sub-study on funding channels, comparative advantage, resources and donor performance

Background

The terms of reference of the Fifth Overall Performance Study (OPS5) of the GEF contain key questions that can be brought together into one sub-study for the final report of OPS5.[32] This sub-study focuses on key questions two and three. Key question one raises the issue of trends in global environmental problems and the relevance of the GEF to these problems, whereupon questions two and three focus on the specific added value of the GEF and whether it has sufficient funds to tackle the problems. The questions are as follows:

(2) Given the emergence of new financing channels that address [global environmental] problems, what is the added value and catalytic role of the GEF as a funding channel?

(3) Does the GEF have sufficient funding to address the focal area strategies, guidance of the conventions and the needs of recipient countries in a meaningful way? To what extent is the GEF able to mobilize sufficient resources? To what extent do the donors perform as pledged?

These two questions can only be adequately answered if the answer to the first question is available. However, the sub-study can and should aim to provide a basis of evaluative evidence which will provide the foundation for these answers. This approach paper is therefore more concerned with ensuring that such a foundation is built, than with providing the answers to these questions. On several issues as identified below some partial analysis and judgments is possible and should be undertaken as well.

Methodological considerations

Benchmarking and comparing international organizations against each other is a difficult subject. A recent survey of comprehensive evaluations of international organizations revealed that almost all of these evaluations failed in providing evaluative evidence that would help identify whether that organization would have "added value" or would be more cost-effective or efficient than others in tackling specific global problems. Resources on this issue, as well as on-going discussions, can be found at www.cepke.net.

Although comparative perspectives on the roles of donors and international organizations have been promoted since the Paris Declaration, no international agreement or consensus has emerged on benchmarks, indicators and agreed upon methods and tools to evaluate them. The second phase evaluation of the Paris Declaration has discussed the status and usefulness of several potential indicators and concluded that many of them are not very helpful or useful.[33] However, building blocks can be assembled of elements that can lead to an assessment of situation.

The Fourth Overall Performance Study (OPS4) provided some of these elements. The Full Report of OPS4 (available on the GEFEO website at http://www.thegef.org/gef/OPS4) contains building blocks that should be established again for OPS5. These building blocks are discussed below. Furthermore,

[32] The TORs and budget for OPS5 can be downloaded from http://www.thegef.org/gef/OPS5
[33] See http://pd-website.inforce.dk/content/content-en.html, technical annex.

technical document TD8 of OPS4 on resource mobilization and management of resources contains the background data and information on this part of OPS4 (available at the same GEFEO website).

Trends in donor funding

OPS4 reported on overall ODA disbursements for the period 1991-2008. OPS5 should validate this, and present an extension to 2011, or if possible, 2012. The assembly of this data should be undertaken through the OECD database on development aid, given the fact that almost all support to the GEF is identified as ODA by the respective donors. The data should be divided out in OECD-donor related data and data on non-OECD donors. Additional sources on the last category may exist, as transparency in funding is championed by several websites and organizations, and assessments of non-OECD funding may be available with various degrees of reliability.

This information should be made available in the form of a spreadsheet, so that data can be further explored. Secondly, the reliability and verifiability of the data needs to be written up in an accompanying note, so that OPS5 can take all limitations into account. If OECD/DAC has recently evaluated its database, such evaluations would need to be taken into account. Initial analysis could be undertaken to see whether trends can be identified that would be relevant to the GEF or to global environmental funding.

Aid for the environment as a share of total ODA

OPS4 reported on the share of environmental funding as a percentage of total ODA through four categories of ODA that were considered to be relevant: core environmental support; water resources management; water supply and sanitation; and other environment-related support. These categories should again be populated for an extended run through the OECD database, until 2011, or 2012 if possible. Furthermore, there should be a second database run on climate change related funding. This has more recently become a “flag” in the OECD database. A note will need to accompany the database, raising the methodological issues of the data, of the new climate change funding tag and any associated issues that may qualify the data. An initial analysis could accompany this on whether the trends diverge from those noted in OPS4 or whether they are in conformity. Lastly, initial conclusions on the support of donors for “fast track” climate change funding (as agreed upon in Copenhagen and subsequent COPs of UNFCCC) may be drawn.

GEF replenishments and trends in ODA

OPS4 in its chapter on resource mobilization developed an overview of replenishments of the GEF, related to absolute purchasing power (taking the time of the GEF-1 replenishment as the starting point) and related to trends in overall ODA. This requires data on the development of purchasing power, as well as verified data on the GEF-4 replenishment and GEF-5 replenishment. The Trustee will need to provide the GEF-4 and GEF-5 replenishment data, but interaction on these data with the Trustee is probably needed, as the replenishments are complicated adding processes of SDRs, equivalents in other currency’s, translations into US dollars and adding investment income as well as turn-overs from previous replenishments. This will not be a straight-forward exercise of receiving data from the Trustee, but an interactive one focused on understanding what the data actually represent in terms of obligations.

At the time of OPS4 an attempt was also made to identify how much money was actually kept “reserved” in the main GEF Trust Fund, as well as the management of this money, both for ensuring commitments of the GEF could be met, as well as to invest for income. This effort only partially succeeded. The interaction with the Trustee should also be aimed at getting more insight into this and if possible, elicit data from the Trustee on these issues. A desk review of relevant Trustee reports needs to be undertaken first to see what has already been made available publicly by the Trustee.

The data should be made available to GEFEO in the form of a spreadsheet, with an additional technical note and with some initial findings on the GEF replenishments and trends in ODA.

Other channels for funding

OPS4 contained information on funding of donors of environment related activities of the World Bank, UNDP and UNEP, as well as a first indication of such funding for the other GEF agencies. This information may now be more easily accessible in the case of the World Bank and UNDP, as both have done extensive evaluations of their environment portfolios. Contacts with the evaluation offices of both agencies should ensure that databases on this funding could be started with a relatively high level of reliability. A literature and document review will be needed to go through relevant documentation of the agencies, which could be complemented by interviews with relevant staff of the agencies, where needed. The format on which this should be reported on should depend on the availability of information and what the best way would be to present this.

Donor performance

The Fourth Overall Performance Study contained the findings of an initial study on donor performance, which was based on an overview of several indicators that would identify whether the donor's contribution to the GEF was in line with its other contributions on similar goals or organizations. First of all this will need a solid basis in the replenishment agreements on what the donor contribution to the GEF has actually been. This will need to be based on data emanating from the Trustee, with special attention for issues like arrears, deferred contributions and other intricacies of the replenishment agreements and the actualization of the agreement.

A second issue on the replenishment agreements and how they are effectuated is the issue of arrears and what this means for the replenishment agreement in general and what it means for other contributions that have been made conditional on this. In this case it is not just the data but also on what this means for funding coming in over time. This information would need to be related to replenishment processes elsewhere. The GEF is not the only fund to be confronted with problems of donors and of pledges that disappear over time. A literature and document review will need to be undertaken to identify what has happened in some other funds. Potentially some ideas could emerge on what could be done in the GEF replenishment to provide incentives to donors to materialize their pledges. Possibilities are to put voting rights on hold, or to temporarily remove donors from the Council. The data gathering and literature review should focus on:

- Actual funding patterns over time; i.e. how did arrears affect the availability of funding over time;
- Rules and regulations governing arrears and whether any incentives were provided to donors to honour their pledges.

For comparison of donor performance, the following data will need to be gathered:

- Share of the donor in UN core funding, as established by the UN;
- Share of the donor in IDA funding, as established in the last replenishment of IDA;
- Share of ODA of the donor, as established in the ODA database of the OECD;
- Timeliness of payments, as established in documentation of the Trustee.

This part of the sub-study will first establish the databases and find the data to fill the cells, but then establish an iterative process of interacting with the OPS5 team in Washington to find the best way forward on these issues (which comparisons would be most relevant to the replenishment process; how to take developments of the replenishment itself into account; how to fine-tune explanations and so on).

Final products

The final products of this sub-study will be threefold:

a) The respective databases of the various parts of this sub-study will be delivered to GEF EO.
b) The respective notes on the technical side of the databases will be made available to GEF EO.
c) A first write up of what the material tells us will be done in the form of a technical document, or technical documents per section, as agreed upon.

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