MID-TERM REVIEW OF THE GEF RESOURCE ALLOCATION FRAMEWORK

Methodology and Context

Technical Paper #1
6 October 2008

Not edited
Not for citation or distribution

Draft

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1 PURPOSE AND METHODOLOGY OF THE MID-TERM REVIEW

This paper forms part of the mid-term review of the GEF Resource Allocation Framework. This section presents the purpose and methodology of the mid-term review, as well as its limitations.

1.1 Background

In September 2005, the Council of the Global Environment Facility (GEF) "agreed to implement, for the GEF-4 replenishment (2006-10), a resource allocation framework based on an index of a country's potential to generate global environmental benefits in the biodiversity and climate change focal areas and an index of performance"[1]. The establishment of the resource allocation framework (RAF) was a response to the policy recommendations of the third replenishment[2] which requested "the GEF Secretariat to work with the Council to establish a system for allocating scarce GEF resources within and among focal areas with a view towards maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide". Nominally, the RAF began with the fourth Replenishment period of the GEF Trust Fund, on 1 July 2006, while implementation officially began in February 2007 when the fourth replenishment of the GEF became effective.

The GEF Council also requested the GEF Evaluation Office to review the RAF after two years of implementation, to examine the operational experience with the RAF[3]. The **objective** of the mid-term review (MTR) is to "evaluate the degree to which resources have been allocated to countries in a transparent and cost-effective manner based on global environmental benefits and country performance"[4].

The MTR **terms of reference** are based on extensive consultation with GEF stakeholders. An approach paper was published in July 2007 on a webpage of the Evaluation Office dedicated to the mid-term review and an email address was established to receive comments and suggestions. Many comments and suggestions were received from eight Council members, the GEF Secretariat, two Implementing Agencies (UNDP and UNEP), two GEF Focal Points, the Convention Secretariats (biodiversity and climate change) and one Non-governmental organization (NGO). These comments and suggestions were used for the formulation of a first version of the draft terms of reference, which was circulated to Council members in September 2007. Based on comments from five Council members and four GEF Focal Points, a second version of was presented to the November 2007 Council. The final version of the terms of reference includes comments by the Council at its November 2007 meeting.

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

1.2 Key Questions and Scope

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

Given the sensitive nature of the RAF, the MTR contains more questions than what is normally the case for a mid-term evaluation. This includes issues on the design, simulation of what-if scenarios, and review of alternative data. Standard evaluation criteria of relevance, efficiency and effectiveness were used to assess the RAF.

Box 1.1: The MTR Key questions

Design

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

Implementation

4. Has the RAF been implemented in accordance with Council decisions?
5. To what extent has the initiation and implementation of the RAF been transparent and timely?
6. How has the RAF affected the roles and operation of countries, agencies and entities under the Instrument?
7. What are the observable changes in GEF programming from GEF-3 to GEF-4?
8. What has been the impact of the various design elements of the RAF that have raised concerns?
9. To what extent has the RAF been cost-effective?

Context

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

Detailed sub-questions of the MTR are included in **Annex A,** related to the ten key questions in **Box 1.1**. Specific issues considered under each of the three sub-objectives include aspects of design such as relevance of the indicators; volatility; weights of indicators in the indices; interrelationship and synergies; incentives; flexibility; and exclusions to the allocation formula. Under implementation, the review has considered guidelines and support; policies; the group allocation; country-driven approaches and ownership, roles and inter-relationships; historical comparison; barriers or promoting factors for access to funds; the project pipeline and the nature of projects; effect on enabling activities, global and regional projects; the small grants program (SGP); NGOs and civil society, least developed countries (LDCs) and small island developing states (SIDS); and the 50% rule. Under contextual issues, the review researched new practices in performance-based allocation frameworks; convention guidance; and recent scientific developments and databases.

1.3 Methodology

The mid-term review was managed and executed by the GEF Evaluation Office, with independent expert consultants and companies. The Evaluation Office followed a "mixed methods" approach to ensure that data gathering would deliver qualitative and quantitative analysis on the basis of diverse material, from desk studies, interviews, statistics, surveys, expert panel judgments, portfolio analysis to stakeholder consultations. For this purpose, qualitative material was analyzed through specialized software[5]. The supporting technical papers are available on the website of the GEF Evaluation Office.

Documents reviewed. To establish the underlying goals and expectations of the RAF, the review commenced with a review of the policy framework. The review codified hundreds Council documents and all Joint Summaries on the RAF and related subjects; documents related to the RAF design, Working

Group and Inter-agency Task Force; Convention guidance; Assembly documents and all comments by correspondence made during the development process. Information was also obtained from consultations during other evaluations such as the Catalytic Role and Impact Evaluation field visits (through late 2007 and 2008) and terminal evaluation verification missions. The bibliography is available in annex.

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

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

Portfolio reviewed. The review team designed and compiled a number of databases to analyze the effect of the RAF on the portfolio. The project database compiled by the recent Joint Evaluation of the GEF Activity Cycle was used as a baseline to compare with any changes in programming from past periods to GEF-4. This data from the Project Management Information System (PMIS) had already been corroborated with all agencies, by downloads of their GEF portfolio databases; by manually cross-checking data; and validated from Council and project documents, and verified through interviews. This database consists of all verified and recorded full and medium-sized projects and proposals processed by the GEF (1926 in total), as well as enabling activities, across all GEF replenishment periods up till the end of GEF-3. To capture the range of data needed for the RAF review, the database was extended with:

- A RAF project database, with includes the portfolio of approved projects and Project Identification Forms (PIFs) since the start of GEF-4; as well as proposals under development (pipeline). All data were received directly from GEF Secretariat database download, and subsequently verified with Agencies and countries and Secretariat staff. The country profile website and RAF progress reports to Council were also used for verification. The RAF database contains the same field as the baseline database, with added features such as programmatic approaches, allocation type, and the new project cycle. All data are up-to-date as of 3 July 2008, the midpoint of GEF-4; any changes after that are provided in textual form.
- A country analysis component to analyze the effect on various countries, using categories which are recognized in international practice for country classification such as LDC, SIDS, land landlocked countries, income per capita, fragile and post-conflict states. The different classification for categories of countries is featured in the annex on statistical analysis.
- A separate Excel spreadsheet was established comparing the baseline database and the pipeline at end of GEF-3; the proposals made by countries in the teleconference with GEF Secretariat; and the current pipeline and approvals. This review was made to assess and quantify changes to the pipeline; and national ownership in identifying priorities.

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

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

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

Stakeholder consultation for the mid-term review was extensive. Semi-structured and focus group interviews were undertaken with a large number of key informants including all GEF entities referred to in the Instrument. The stakeholders interviewed included GEF Operational and Political Focal Points, other relevant national government stakeholders; Convention secretariats; Agency staff, GEF project staff; and NGOs. Interview Protocols were used for different target groups. These interviews provided an overview of changes caused to strategy, institutions and modalities with the GEF; emerging effects of the introduction of the RAF; underlying causes of implementation issues; and feedback on the RAF design. Consultations covered a range of experiences and perspectives from those countries with significant individual allocations to those with a group allocation. Feedback on implementation was compared with information gathered through portfolio analysis and documentation review. The data from these interviews were aggregated in *"Atlas ti"* which identified the recurring and divergent opinions across interviewees from different countries. A list of persons met is available in annex.

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

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

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

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

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

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

Survey. An electronic survey of all major GEF stakeholders who have a role in RAF implementation yielded experiences and perceptions, using www.surveymonkey.com during June-July 2008. Current and past stakeholders include implementing and executing agency staff, national governments, STAP roster experts, GEF operational and political focal points, international NGOs, national and local NGOs, convention national focal points, private sector, GEF Council members, STAP members, state/local government, GEF Secretariat, convention secretariats and others (consultants etc.). Survey instruments were tailored to each group. Respondents were identified through a mix of EO and Secretariat contact databases; the Joint Evaluation of the Activity Cycle contacts, and Agency and NGO networks. The data were disaggregated for all stakeholder groups to consider nuances among the 689 respondents. See technical paper.

Comparative study. The MTR included an external comparison of the design and implementation experience of the RAF against other performance-based allocation (PBA) frameworks. Visits were undertaken to the World Bank Group (WB), Inter-American Development Bank (IDB); the Caribbean Development Bank (Caribank); African Development Bank (AfDB); and Asian Development Bank (ADB), as well as consultations with the International Fund for Agricultural Development (IFAD). The review encompassed expert interviews and reviews of numerous documents from the Multilateral Development Banks (MDBs), the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD-DAC), the United Nations (UN), the GEF and Implementing and Executing Agencies, and other global funds. A number of evaluations of these resource allocation frameworks had recently been conducted and provided useful lessons learnt for the RAF MTR. The input from the PBA Technical Working Group, a collaborative annual meeting on PBA experiences, was also informative. See technical paper on other PBA experiences.

Collaboration with the GEF Secretariat and the GEF Agencies was important for the mid-term review. The GEF Secretariat supported the Evaluation Office by making available information on the design and implementation of the RAF, and of data related to progress in implementation. On completion of the draft report the Evaluation Office sought comments from all GEF stakeholders including country recipients, NGOs and Agencies.

Scope and Limitations

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

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

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

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

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

Follow-up

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

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

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

2 CONTEXT OF THE RAF

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

2.1 Origins and Objectives of the RAF

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

Definition: A system for allocating resources in a transparent and consistent manner. The GEF Resource Allocation Framework (RAF) was adopted by the GEF Council at a special meeting in Cape Town in September 2006[8], as part of its endorsement of the policy recommendations of the third replenishment of the GEF Trust Fund. The RAF is defined as:

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

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

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

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

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

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

- **Consistency**. First, the Council established that the system should be consistent with the GEF Instrument, the environmental conventions for which the GEF is a financial mechanism, the Policy Recommendations of the Third Replenishment, Council decisions at the October 2002 meeting, and the Beijing Assembly Declaration[12].

- **Principles**. Second, the Council asked that the GEF Secretariat "should consider the principles of simplicity, transparency, pragmatism, cost-effectiveness, comprehensiveness, country-drivenness, and equal opportunity for all recipient countries to have access to GEF resources", when developing options for the framework[13]. The Council recognized "the need for a transparent, equitable and inclusive system for the allocation of resources within the GEF"[14].

- **Uniqueness**. Third, the Council recalled that a "performance based allocation system should reflect the unique nature of the GEF, its mandate to provide financing for incremental costs of achieving global environmental benefits, and its role as a financial mechanism of the global environmental conventions"[15].

- **Good governance**. The Council "recognized further that success in meeting the objectives of the GEF is based on good governance related to environmental sustainability within each country and at the international level"[16].

In addition, the RAF was expected to bring a number of other advantages[17]:

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

Duration. The GEF-3 policy recommendations, and the second Assembly, did not place a time limit of the duration of a PBA system. The GEF Council "agreed to implement, for the GEF-4 replenishment, a resource allocation framework"[18], and asked for a mid-term review and a second independent review in conjunction with the fourth overall performance study of the GEF (OPS4). While this seems to imply a specific period for the RAF, other decisions refer to expansion of the system. Some stakeholders, especially at country level, indicated uncertainty as to whether and how the RAF would be applied to the next replenishment period.

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

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

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

2.2 Organizational and Institutional Context

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

External context and trends

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

The emphasis on PBAs is also linked to effective results based management (RBM) within development aid organizations – and the GEF. RBM is an organizational management strategy of which allocations may form a part. A PBA system and RBM are not conditional on another, but a good RBM system can enhance the achievement of results that a PBA aims to promote. Many GEF Agencies have long had RBM systems with systematic planning and reporting on results, as found by a study by the GEF Evaluation Office for the GEF Monitoring and Evaluation (M&E) Policy: "At a policy level, the priorities and strategies of all GEF Agencies reflect an enhanced 'focus on development results'. The majority of these have adopted an RBM approach and policy specifically"[29]. The joint evaluation of the GEF activity cycle found that "While the GEF has started taking note of the work done by the OECD DAC Joint Venture on Managing for Development Results, overall, it has not been sufficiently involved in the RBM work of partner Agencies". The call for RBM in the GEF started with the GEF-3 replenishment negotiations, which encouraged improved organizational performance; strategic priorities and targets. These targets, for the GEF-4 replenishment period, will, in turn, be influenced by RAF implementation. While there are challenges in implementing RBM for a partnership such as the GEF, the Council approved a framework for RBM in the GEF in June 2007, for which development is still ongoing.

The United Nations have also promoted RBM for some time[30] through such initiatives as "Results-based management" United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA), World Food Programme (WFP); and "Results-based programme planning and management" United Nations Children's Fund (UNICEF); and "Results-based budgeting" (United Nations Secretariat). These initiatives have mainly focused on internal organizational issues. As many UN Agencies are specialized technical organizations, they do not have systems for allocating resources to countries. The UN funds and programs implement various ways to provide funding to countries based on needs and performance. For example, UNDP has had a type of incentive-based allocation system since 1997[31]. At the beginning of each programming cycle, Target for Resource Assignments from the Core" (TRAC-1) resources are allocated based on the latest gross national income per capita (GNI) and population data. Fifty percent of programmable resources (TRAC-2) are kept for incentive and performance based allocations. The objective of the TRAC-2 resource facility is to provide flexibility to allocate resources to high-impact, high-leverage activities and to reward program quality. From 2007, there are no country limitations on the assignment of TRAC-2 but there is a regional flexibility of up to 10 percent.

The development community, and the Conference of Parties of environmental conventions, are increasingly emphasizing simplification and harmonization of development efforts – but the GEF is lagging behind. The Paris Declaration, endorsed on 2 March 2005, is an international agreement to which over one hundred Ministers, Heads of Agencies and other Senior Officials adhered and committed their countries and organizations to continue to increase efforts in harmonization, alignment and managing aid for results with a set of monitorable actions and indicators. The linkages to the GEF RAF are mixed. On one hand, the RAF may be seen as harmonization with other PBA systems of international financial institutions (IFIs); though the component on global environment benefits differs from other PBA systems. On the other hand, the GEF has lagged behind in simplification, innovation and harmonization of operational modalities through which allocations are utilized. While national ownership is a key principle of the GEF, the GEF does not apply new delivery modalities that stress increased national ownership such as budget support[32]. The GEF is increasingly pursuing programmatic approaches; though arguably differently from other donors and governments. Though improvements have been made, there is consensus among all stakeholders that the GEF still has a long way to in the area of simplification. As a partnership working through many Agencies, harmonization is especially relevant to the GEF.

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

The GEF Secretariat has started cooperation with similar funds[34], through the Global Programs Learning Group. The Group prepared a paper for the high level forum on aid effectiveness in Accra in September 2008, which points to strengths (managing for results and strong ownership by directly-involved stakeholders) and challenges (ownership from central ministries, alignment to country systems and harmonizing procedures). The report states that "The GEF sees itself evolving to become more country friendly while guarding its global priorities, with the evolution driven by its management, its replenishment and governance process, and its evaluation system."

The RAF was introduced at a time with increasing competition for funding, with the realization that the level of resources is insufficient to meet needs. The Monterrey Consensus was the outcome of the 2002 Monterrey Conference, the United Nations International Conference on Financing for Development, adopted 22 March 2002, with six areas of Financing for Development. Countries also reached agreements on other issues, including debt relief, fighting corruption, and policy coherence. Issue six is especially pertinent; addressing systemic issues - enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development. The Follow-up Conference to Review the Implementation of the Monterrey Consensus, is scheduled for November 2008, in Doha, Qatar. Meanwhile, the collapse of WTO trade negotiations "…gave way to resignation that a shift in the global economic hierarchy had darkened the prospect any time soon of a new accord to further open markets."[35]

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

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

The emphasis on funding needs have spread to environment areas and conventions. At the **CBD** COP-9, it was pointed out that "African countries experience huge funding gaps at all levels in addressing the needs for achieving the three objectives of the Convention. The resource allocation framework has simply worsened this situation[38]." The Conference of Parties (COP-9) pointed to the need for "a full assessment of the amount of funds needed for the implementation of the Convention for the sixth replenishment period of the Trust Fund of the GEF"[39]. Meanwhile, the GEF Secretariat has been working to support the Conventions secretariat on a resource mobilization strategy; this role was emphasized in the *independent review of the effectiveness of the financial mechanism*[40].

The changing context is especially notable in climate change. A recent study from the OECD Development Centre pointed out that "International development finance has evolved into a complex system with emerging actors, both private and public, raising sources by using new instruments and channels. Rather than the scaling up of programmable aid resources, there is a scaling up of the number of aid providers"[41] (Reisen 2008). On 2 July 2008, the World Bank Board gave formal approval to create the **Climate Investment Funds** (CIF); a pair of international investment instruments designed to scale-up funding to help developing countries in their efforts to address climate change. The Climate Investment Funds include the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF). The CTF will finance the deployment and transfer of low-carbon technologies in the power and transportation sectors, and energy efficiency in buildings, industry and agriculture. The SCF will provide financing to pilot new development approaches or to scale-up activities aimed at a specific climate change challenge through targeted programs. Total funding for the Climate Investment Funds is expected to be between US$5 and US$10 billion[42]. The ADB also recently established a large climate change fund, Clean Energy Financing Partnership Facility (CEFPF), with an initial contribution of US$40 million from ADB resources. Based on COP resolutions, the emphasis on **adaptation** to climate change is finally receiving due attention, as illustrated by the *Declaration of integrating climate change adaptation into development cooperation, by development and environment ministers of OECD*, 4 April 2006, and funds are also being established for this purpose. However, "This multitude of actors and financing channels, combined with the broadening goals of traditional development assistance (which now also include global and regional public goods) make up an international development finance architecture which can be characterized as spontaneous disorder, or a non-system" (Reisen 2008). With increasing competition in funds, the GEF is challenged to become more effective and in providing sufficient levels of funds in an efficient manner.

The GEF is a financial mechanism for several environmental conventions, and was established as a *facility*, i.e. as a "mechanism for international cooperation for the purpose of providing new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits"[43]. Given its dual nature as a financial mechanism for the environment, the Council and governing structures have always been represented by ministries of finance and of environment. The development of the RAF mirrored these differing perspectives on focus and priorities; these issues have culminated in the RAF.

The GEF, however, is not a development bank in any traditional sense. While the GEF Instrument does not prohibit loans, and innovative financing has taken place within GEF projects in the past, the GEF provides grant financing only. The operational guidelines on non-grant instruments established that "In the GEF context, all eligible countries are entitled to receive grants[44]." The recent GEF policy (April 2008) on non-grant instruments envisage that use of non-grant instruments directly or indirectly will be "primarily linked to investment projects" and that reflows should be re-programmed to the benefit of the same country. As such, loans are part of GEF projects, rather than the project being a loan that the government has to repay. In this regard, the GEF is more similar to UN organizations than to IFIs. The mid-term review has not been able to identify comparable global programs that operate through allocation systems like the RAF.

When most of the IFIs began their performance-based allocation system, it was loan funds that were being allocated. However more recently the IFIs have introduced debt management frameworks that allow some of the allocated loan funds to be disbursed as grants. In some cases (IDA, for example) conversion of loan to grant funds triggers a discount on the remaining loan funds.

Internal issues and other GEF reforms

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

- The revised focal area **strategies and new strategic programs** for GEF-4 were approved in October 2007, more than a year after the RAF was launched. Both the timing of approval and the tighter scope of the focal areas from GEF-3 to GEF-4 have affected the pipeline and access to funding under the RAF. The four other focal areas, some relatively new, have also gained momentum in scope and demand of projects and resources. Both in biodiversity and in climate change, the Strategic Long-term Objectives Strategic Programs for GEF-4 have moved up to a higher level; for example, from attention to protected area to protected area systems; and to market transformation in the climate change area. In climate change, there has been a move towards energy efficiency (in industry and buildings) and on-grid renewable energy. Other areas are no longer key priorities, such as best practice dissemination in biodiversity; renewable energy for the provision of rural energy services; performance of power plants; whereas some priorities are new; such as access and benefit sharing, marine protected areas and biodiversity in production seascapes.

- The GEF has also taken on additional areas of work. The GEF was invited to provide secretariat services to the Board of the **Adaptation** Fund of the Kyoto Protocol at the most recent meeting held in Bali in December 2007 of the Conference of Parties of the UNFCCC. The new Fund, once operational, may benefit from the experience of the GEF Strategic Pilot on Adaptation (SPA, launched in GEF-3, carried over to RAF) to support pilot and demonstration projects for adaptation to climate change. The GEF also operates the Special Climate Change Fund (SCCF) and the LDC Fund (LDCF), which remain outside the RAF. A new public-private partnership fund (PPP, The Earth Fund), was also approved in December 2007, with IFC as the lead agency. The GEF was also requested to elaborate a strategic program to scale-up investments in environmentally-friendly technologies in mitigation and adaptation. The GEF prepared a response to this request for the meeting of the UNFCCC Subsidiary Bodies in June 2008. The biodiversity COP-9 requested the GEF to “Provide support to developing country Parties in the preparation of national assessments of technology needs for implementation of the Convention; and “Consider possibilities to provide funding under enabling activities for the provision of capacity-building” [45].

- The GEF **project cycle** has historically been a major bottleneck for access to GEF funds. Based on the Joint Evaluation of the Activity Cycle, the Council approved a new cycle in June 2007. The **new** project cycle was first applied to the third work program under GEF-4, in November 2007. The new cycle involves approval of a Project Identification Form (PIF) by the CEO at an earlier stage of the cycle on a rolling basis, and inclusion of projects in Council work program. The project development facility (PDF) has been replaced with a more limited project preparation grant (PPG). The Council decided on measures to “focus the project identification phase on establishing project eligibility, resource availability, country endorsement and agreed agency comparative advantage”, as reflected in the newly designed PIF. The new project cycle took time to settle down and many changes were introduced over time to templates and procedures for fullsize projects (FSPs) and medium-size projects (MSPs).

- At its meeting of April 2008, the Council approved the GEF approach to **programmatic approaches**, which had already gained momentum under GEF-3. Many programmatic approaches have been combined with a mix of focal area resources in multifocal projects. Under the GEF programmatic approaches, Agencies must submit a PIF for the program first, with associated individual project PIFs at the same time or later. The programmatic approaches particularly affect group allocation countries and countries with large individual allocations under RAF.

- A **communications and outreach** strategy was approved by the Council at the November 2007 meeting. This has led to a revised GEF Secretariat website; more attention to media and publicity, and active outreach to key stakeholders such as conventions. Accurate and current information on delivery utilization is indispensable where countries, with Agencies, must manage project approvals within overall limits and 50% limits until GEF-4 midpoint. Another barrier identified in several evaluations[46], is the lack of **transparency and information** in the GEF, especially on the project management tracking of project progress and status. In November 2005, the Council approved funds of 700.000 US$ for the development of a new Management Information System (MIS). The system is under development but not yet operational; though envisaged to launch in October 2008.

- In January 2008, the GEF Secretariat introduced a **country portal** providing information on portfolio status. At first information on pipeline status, the most relevant for RAF resource management, was limited in access and password-protected, but since the GEF Secretariat has since taken commendable steps to make this information also available to the Agencies. The system is not as yet able to systematically report on the 10-days response time for review, or the 22 month cycle. The lack of clear guidance was to be addressed by the Operations Manual on operational policies, procedures and guidelines as well as Trustee financial procedures and processes. The Manual was released at the April 2008 GEF Council meeting. The Manual was supposed to be uploaded on the GEF website, but as yet focal points must ask for a CD-rom to be sent to them.

- To meet the new challenges under GEF-4, the GEF Secretariat has been **restructured** and seen considerable staff turnover. Three focal area teams have been merged into a natural resources team, and other teams have been reinforced (external affairs, climate change). Around half of staff have left, and been replaced; a Conflict Resolution Commissioner has been appointed and regional focal points created in some teams. The Secretariat have taken on additional tasks related to RAF implementation; as well as portfolio monitoring under the 2006 M&E policy and the new RBM framework approved by the Council in June 2007. The first *Annual Monitoring Review Report* (GEF/C.33/4) was presented at the April 2008 Council meeting.

- In June 2007, the Council approved revised Terms of Reference for the STAP[47] and agreed that "STAP should provide more effective strategic advice at both the programmatic and project level" and to strengthen the STAP Secretariat "to deliver more effective operational advice and support to the Panel". The NGO network is also undertaking a review to present a strategy to the November 2008 Council.

The **GEF partners** have also been subject to considerable change under GEF-4, in turn related to their roles and relationships. Following the Evaluation of the Experience of the Executing Agencies with the GEF, these Agencies were put on equal footing with the three Implementing Agencies and granted direct access to GEF funding based on their comparative advantages[48]. The comparative advantages were clarified to the Council in June 2007 with the requirement that "The comparative advantage of a GEF Implementing and Executing Agency to manage a proposed project will be assessed by the Secretariat, in consultation with the country, during the project concept review". In the PIF the Agency has to provide text to justify its advantage. This has impacted a number of projects and Agencies under GEF-4.

In addition to providing support on the RAF, the Agencies have met with demands for support or information from the GEF, including increased support to corporate programs such as participation in the SGP Steering Committee; compliance with the fiduciary standards approved by the Council in June 2007, and on which the Agencies reported in April 2008; renegotiating the financial procedures agreements with the GEF/Trustee; reporting on efforts to mainstream global environmental challenges into core development work, strengthening their M&E systems; and so on.

The Agencies must comply with new procedures on termination and cancellation of projects (December 2006), use of non-grant instruments (November 2007); templates and procedures for programmatic approaches through a Program Framework Document (PFD), which are not covered by management fees; and have recently been requested to submit lessons learnt forms (August 2008) from evaluations.

Meanwhile, the corporate budget for implementing agencies was eliminated as of Fiscal Year FY08, as per the Council decision in December 2006, together with an increase in project cycle management fees to 10% applicable to all ten GEF agencies. In April 2008, the Council requested "each GEF Agency to report annually on services provided and actual aggregated expenditures on corporate activities and project cycle management with breakdowns by the categories of staff, consultants, travel, and other expenditures, as well as a list of staff that work full time or part time for the GEF"[49]. Forms and procedures are under development. In the revision of the project cycle, the new project preparation grant provides limited financing of, mainly, consultant services for preparing the project document, and with enhanced emphasis on cofinancing. Budgeting for projects has become more exacting, requiring new information on financial issues in the PIFs and with limitations on eligible budget items.

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

2.3 Development of the RAF

This section recapitulates the process of development of the GEF RAF, based on a detailed timeline of events. Furthermore, the overview of the development process illustrates the complexity, design alternatives selected or rejected, and the rationale behind a number of decisions which have profoundly affected implementation.

The evolution of the RAF can be divided in three periods: (a) the development phase until approval, from 2002 to August 2005; (b) Planning for implementation from august 2005 to summer 2006, a crucial period; and (c) Implementation to midpoint reallocation, from 1 July 2006 to 1 July 2008.

Phase 1: Development until approval: 2002 to August 2005

The origin of the RAF stems from the third replenishment in 2002. It was introduced by the representative of the United States[50] in the sixth and last negotiation meeting before the **replenishment** policy decisions were approved in August 2002. Replenishment Participants requested the GEF Secretariat to prepare a proposal of an allocation system, for which implementation should be initiated immediately after a Council decision in May 2003. The period needed to develop a PBA for the GEF was obviously grossly underestimated. Furthermore, 70M US$ of additional financing of the record replenishment of three billon US$ was made conditional upon approval of a PBA.

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

The working group (WG), with 10 members nominated by Council constituencies[51] as well as two PBA experts, started work in July 2003. Its report, presented to the **November 2003 Council** Meeting[52], proposed a two-component system – performance and needs - and defined, for the first time, the 'needs' as the potential to deliver global environmental benefits. It also introduced the notion that a GEF-wide results framework would be difficult, and recommended an immediate focus on the biodiversity and climate change focal areas. These two suggestions were milestones.

On the other hand, the WG proposal of a phased development approach of the PBA was not adopted, nor was there agreement on options. The United States had sent Council members a letter[53] before the November 2003 meeting, with comments on the draft, and warning "…efforts are in substantial danger of becoming off-track" and that "only Option 1 satisfies the requirements of the GEF-3 agreement". The rationale for a PBA system was reiterated; "Our strong belief if that these [PBA] systems bring greater effectiveness to international assistance programs, by increasing analytical decision-making in allocation processes, by allocating resources where they will be better utilized, and by increasing the clarity and transparency of this decision-making for both donors and recipients".

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

The Secretariat presented to the **May 2004[54] Council Meeting**, a comprehensive proposal with options on indicators, weights and formulas for biodiversity and climate change. It had called on the support of the WB Development Economics research group (WB/DEC), who had worked assiduously in participation with a number of international environmental NGOs, especially on biodiversity.

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

The report discussed **two models**: (a) "Ex-Ante Allocation to Countries", and (b) a variation of this model, in which five country groups[55], each with similar needs and performance, would receive an equal share of resources and compete for funds *within* each group. This was the first time that a type of *group* allocation was mentioned. The range of maximum and minimum amounts meant that the top ranked country in group two could hypothetically get more than the lowest in group one; this was not welcomed. In the end, *both* options – individual and group - would be selected.

The complex subject seemed to call for another discussion format than Council meetings. A seminar for Council members was convened in **Paris in September 2004**, mainly debating a more elaborated document on **three models**: (a) Individual Country Allocation Model; (b) Country and Group Allocation

Model; with a cap at US$10 million for the individual countries and two separate group allocations, and (c) Rules-based Model with due diligence measures to deal with performance issues. The second was a compromise suggested by one donor (Canada) between the member favoring option (a) and others favoring the group approach. The last option on rules was quickly ruled out. One constituency favored the Country Allocation Model, and several others were supportive of the Country and Group Allocation Model. Several other constituencies requested the Secretariat to develop a model that would *not* allocate resources to countries in an ex-ante manner[56]. One step forward was the confirmation that, legally, nothing in GEF Instrument or convention guidance prohibits or requires a performance-based framework[57]. Another advance to the process was the information by the GEF Secretariat on historical allocation shares to countries and to global, regional, capacity building, and SGP. It provided reassurance that "The historical allocations of the GEF are best represented by weights of 0.8 for potential environmental benefits and 1.0 for country performance for both the biodiversity and climate change focal areas"[58], although it led to observations that "if new models reflect historical allocations, why develop a new RAF based on different criteria?"[59].

Based on the seminar discussions, the Secretariat proposed a "phased approach" to the **November 2004 Council,** consisting of an initial screening phase; a country/group allocation phase, followed by an exclusively country-based allocation phase[60]. This was not taken up. The negotiations had reached an impasse. For the first time in GEF history, the Council considered to vote on an issue rather than to reach a consensus decision, and guidance on voting procedures had to be requested[61].

The written Council member comments before the meeting had brought out divergent views[62]: Most provided suggestions but no preference for options, several preferred option (b), and one representative preferred option (a). At this point, the negotiations had split into three groups: the USA with Canada; Europe (EU) and Japan; and the G-77. Three motions were tabled at the Council meeting, with different views on process (start implementing, wait); conditions (provided donor arrears settled, environment indicators); and decision authority (wait for Assembly guidance, wait for Council review). Whereas all three motions agreed on a screening phase, the start of this phase was not authorized at this point.

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

Negotiations now zoomed in on outstanding issues, in the **second Paris Consultations in March 2005** [63]**,** namely the "trigger' to move the RAF beyond "the screening phase"; the content of the country performance indicator; and the share of RAF resources between individual countries and group countries[64].

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

A RAF decision was *not* taken at the **June 2005 Council Meeting**, as had been anticipated[65], but the three motions were suspended, as a double majority would still be unlikely. Information was provided on one of the remaining contentious issues, namely disclosure of the CPIA, which had meanwhile become publicly available, but for International Development Association (IDA) recipients only, and not for borrowers from the International Bank for Reconstruction and Development (IBRD). Two Constituencies expressed serious concern in written statements[66] on the RAF. The CEO stressed the need to reach final agreement at an extraordinary Council meeting in end August 2005 if the replenishment meetings for GEF-4 were to go forward. The GEF was at a turning point.

The **Council meeting approved the RAF** in a special meeting from 31 August to 1 September 2005[67], with the RAF as the only item on the two-day agenda. The final points were resolved by a small group of donors at 2 a.m. in the morning on the last day. After the long and arduous process over seven Council meetings, participants and other stakeholders appeared more exhausted than relieved. As stated in the Joint Summary, "The Council agrees to implement, for the GEF-4 replenishment, a resource allocation framework…"[68].

The approved RAF document[69] announced, for the first time, the eligible countries, 148 in biodiversity, and 160 in climate change, but as yet, no amounts. The various simulations may have enabled some countries to gain an idea of where they would stand in terms of allocations under the RAF, and participate in the negotiations accordingly.

In the final approved version, political **compromises** and tradeoffs had to be made. From the technical papers in the spring of 2005 to the August decision, the proposed marine-terrestrial weighted score changed from 30-70% to 20-80%; thresholds were dropped and replaced with a 75%-25% cut-off line between individual and group allocation countries, and not the 48-52%, and 62-38% cut-off. In performance, the weight of the Portfolio Performance Indicator (PPI) had decreased from 20 to 10%, and the CEPIA increased from 60% to 70%. One element, the 50% rule of resource use, was introduced in the document without prior analysis or discussion. The weights between benefits and performance remained constant at 0.8 and 1.0, however, throughout the process.

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

Ultimately, the RAF is a result of a political process. The indicators and indices are based on scientific work, but the other design parameters described above requires strategic policy decisions. There is no explicit or clear precedent or practice of what each weight, floor or ceiling must be. Some of the challenges of developing such a complex framework for the first time would become apparent in implementation. Considerable more work lay ahead to operationalize the decision. The main events before and after the RAF decision are summarized in **Box 2.1** (on the next page).

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

After the Council decision on the RAF in early September 2005, the real discussions on actual implementation started in October 2005, with the first meeting of an **Inter-Agency RAF Task Force**, also called the "RAFT". This was the first time the GEF Agencies were invited officially to consult on the framework, although already in June 2005, the Pakistan Council member had asked to address the implementation aspects in detail, especially "how the PBA is to be implemented between the Implementing Agencies and GEF itself".

Box 2.1: Timeline of main RAF events

2002	**May**	**IDEA OF RAF IS INTRODUCED** at the 6th Replenishment meeting
	August	Meeting on the Third Replenishment of the GEF Trust Fund
	October	The GEF Council endorses recommendations of the third replenishment
2003	**February**	Council comments to CEO letter (from Australia, Brazil, Germany, USA, Norway, Sweden, and Switzerland)
		Council Meeting discusses six principles and overall objective, define performance
	May	First meeting of the RAF Technical Working group**;** works until last meeting in November
	July	Comments are received from 11 Council members (Australia, Bangladesh, Canada, France, Germany, USA, Iran, Japan, Norway, Sweden, and Switzerland)
		Council Meeting discusses technical options from working group
	November	
2004	**May**	Council Meeting. The paper proposed to use the indices from Kaufman, Kray and Zoido-Lobotan (KKZ).
	September	Paris Consultations reviews three models: Country Allocation; Country and Group Allocation; Rules-based
	November	Council Meeting. Proposed a "phased approach" and three motions are tabled for voting
2005	**January**	Heads of Agencies meeting
	March	Second Paris Council Consultations
	June	Council Meeting suspends the three motions. Technical Notes.
	September	**APPROVAL OF RAF** by Special Council meeting
	October	1st meeting of RAFT, last meeting March 2007
	November	COP11 RAF Side Event in Montreal
		Council meeting. For the first time, tables with eligible countries in *bands* of allocations
2006	**March**	First CEO Letter to Operational Focal Points on RAF
	April	Second CEO letter to Operational Focal Points, with RAF Guidelines
		A series of Sub-regional consultation for Focal Points starts: receive letters with tentative allocation
	June	Council Meeting
	July 2006	**IMPLEMENTATION of RAF starts**, initial end of GEF-3 and new GEF CEO starts
	August	Last sub-regional consultation, for Pacific SIDS
		Third CEO Letter to Operational Focal Points
		Special Council Meeting concludes the third replenishment, before GEF Assembly, South Africa
	September	GEFSec informs GEF Agencies that all concepts in pipeline must be reviewed and pipelined again
		Initial indicative allocations under the RAF are publicly disclosed
		Deadline for pipeline by OFPs. Seventy-five countries provide prioritized lists by October
	October	Fourth CEO Letter to Operational Focal Points
		GEFSec teleconferences with recipient countries start, continue until April 2007
	December	Council Meeting, no work program or projects are approved
		CEO letter to focal points on requirements for providing RAF resources to SGP
		CEO letter to Council and Agencies on 2007 pipeline, rejecting 115 proposals
2007	**February**	**GEF-4 BECOMES EFFECTIVE**
	June	Council receives the first progress report on implementing the RAF
	July	Nine countries have fully utilized their first half allocations
2008	**January**	GEF Country profile website is launched
	July	**REALLOCATION** and new group allocation rules
	November	**MID-TERM REVIEW** presented to Council

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

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

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

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

The main vehicle for support to the recipient governments on the RAF was the series of seven **sub-regional workshops** for focal points, between the end of April to August 2006. Three of the sub-regional workshops were held after 1 July 1006 when the RAF was to be officially launched. The focal points expressed numerous concerns and questions, as well as frustration of being presented with a fait accompli, without prior consultation. Most concerns were common across regions and mirror the implementation issues (see technical paper):

- Lack of transparency in rankings, information sources and allocation figures
- Unclear country and project eligibility, who decides what to drop or approve; definition of "high quality projects"; project re-endorsement process and treatment of GEF-3 projects in pipeline
- Effect on special groups and issues; Africa needs, habitats and ecosystem services; adaptation, SIDS; as well as level of funding and operations for the SGP, NGO involvement and participation of civil society and private sector
- Country differences; individual vs. group allocations; resource pooling for regional projects and the access to global and regional projects
- Disincentives to improve performance and country allocation in the future; disincentives for certain modalities, together with the 50-50 rule and the challenges in utilizing funds.

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

At the **June 2006 Council Meeting** when the new CEO was appointed, the first progress report on the implementation of the RAF was presented[72]. The Council asked the Secretariat to ensure that countries would be informed about the possibility of using their country allocations for the SGP, which had not been expressly covered in the guidelines to focal points. The guidelines were attached to the progress report. The Council was also presented with the largest work program in history, with 76 proposals amounting to 565 MUS$, for un-utilized resources under GEF-3, before GEF-4 was to start.

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

Formally, the GEF-4 and RAF implementation started 1 July 2006, but in reality key parameters were not in place, as the third replenishment was only concluded at a **Special Council Meeting** in the end of August 2006[73], in conjunction with the third GEF Assembly in South Africa. The Assembly endorsed the replenishment policy recommendations, but also raised a number of concerns about the impact of the RAF.

In mid-September 2006, the initial **indicative allocations** under the RAF could therefore be finalized and were **disclosed**. At the same time, the GEF Secretariat informed the Agencies that all concepts in the pipeline[74] would have to be reviewed and pipelined again in the context of the programming strategies.

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

By October 2006, 75 countries had provided a detailed pipeline of project proposals with identified GEF Agencies. The **fourth CEO letter** to focal points noted that "it is not clear how the proposals reflect national priorities, GEF strategies, and global environmental commitments"[75], as well as Agency comparative advantages, and that the GEF Secretariat would contact all countries for verification. On 19 October 2006, the GEF Secretariat therefore started **teleconferences** with 129 recipient countries, over the next six months until end April 2007. This was a Herculean effort, and the first time that the Secretariat had entered directly into pipeline discussion with countries. The Agencies were not part of the consultations, but were supposed to receive copies of the subsequent Secretariat letters summarizing the conclusions. These letters either indicate Secretariat agreement or disagreement with the country proposals, suggestions to merge or reformulate, or no decision. These teleconferences were to have a big effect on the pipeline.

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

At the **December 2006 Council Meeting,** no work program or projects were approved, as the Trustee had not yet received enough contributions to make the fourth replenishment effective. The Council approved new rules and criteria for project selection and cancellation[77]. These were put into immediate effect, in a letter from the CEO to the Agencies in mid-December 2006 on the 2007 pipeline, rejecting 115 proposals, with a list of projects retained. At the same time, it was reconfirmed that "no agency should undertake formal discussion on a project proposal for GEF financing prior to approval of a PIF by the GEF"[78]. On 15 December 2006, in the fifth letter to focal points, the CEO provided detailed information on the project concepts that were omitted from the GEF pipeline, but also stated that the "GEF is not permanently closed for those project concepts that have not been included".

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

In early February 2007, GEF-4 and the **RAF finally became effective,** and the extended GEF-3 phase came to an end. The first full work program under RAF was presented at the **June 2007 Council Meeting**[79]. By July 2007, nine countries had managed to fully utilized their first half of their allocations[80].

In **conclusion**, the complex and protracted development and transition process had a number of unintended effects, of which some have affected implementation. The arduous process had a negative fallout in reduced trust and dissatisfaction among stakeholders.

Participation and involvement in the RAF design process was uneven. The process did not fully include standard GEF partners. In summary, none of the GEF Agencies were actively involved in the development process before the approval of the RAF, neither regarding the design nor on implementation issues. Although many Agencies have considerable technical expertise in the focal areas – and in performance issues, only select WB performance and DEC experts were involved. The same applies for focal points and convention Parties. Excepting the representatives in the Council, the majority of focal points were not informed or consulted. It is of course possible that more extended consultations would have rendered the process even more complex, and might not have been able to change the final outcome. It did, however, not secure the necessary buy-in from the very persons who would have to implement the RAF – the countries and the Agencies.

2.4 Allocation Process

Once the Resource Allocation Framework was approved, a number of issues had to be resolved before implementation could begin. These included tasks to:

- Obtain resources for the fund to allocate (replenishment)
- Determine who can obtain resources from the fund (eligibility)
- Determine who obtains what from the fund (data and formula).

a. Replenishment

The timing, size and level of replenishment are important for the predictability of RAF funds. The GEF-4 replenishment was completed in end August 2006. On 19 October 2006, the World Bank Executive Directors adopted the GEF-4 Resolution, thereby authorizing the Trustee of the Trust Fund to manage the resources made available under the GEF-4. The Advance Contribution Scheme under the GEF-4 became effective on 30 November 2006. This scheme aims to avoid an interruption in the GEF's financing commitment, and happens when one-quarter of the amount of instruments of commitment (IoC) received becomes available (at least special drawing rights (SDR) of 310 million). By 7 December 2006, the Trustee had received instruments of commitment of SDR 336 M US$ from twelve donors[81]. However, only three donors had actually paid in their amounts[82] up to USD 46.9 million.

The GEF-4, with the largest replenishment in the history of the GEF of $3.13 billion[83], became effective on February 8, 2007, when the Trustee received IoCs or Qualified IoCs from donors amounting to at least SDR 929 million (typically 60% of the total contributions of 3.13 billion US$). By June 2007, an additional thirteen participants had deposited an Instrument of Commitment, and the net funds available for approval amounted to 751.3 million US$ equivalent (with 2.68 billion US$ set aside for approvals by CEO or Council but not yet disbursed).

The payment schedule for paying in replenishment contributions contained four equal installments (about US$ 783 million each), at the end of November of 2006, 2007, 2008, and 2009. By this schedule, the GEF should have received 50% of the GEF-4 replenishment amount already by the end of November 2007, seven months before the midpoint. Countries cannot spend more than half of their allocation before midpoint of the replenishment period. By April 2008, only two donors were in arrears of their second installment (arrears totaling 18.35 M US$), and another three had not submitted IoCs[84]. Seven donors had exercised their right to an extension of payment of the second quarter of funds (until 30 June 2008, the exact midpoint of GEF-4) amounting to 103.5 M US$.

Replenishment participants also decide on the share of resources among focal areas, based on historical distribution and strategic priorities for the replenishment period. In GEF-4, biodiversity and climate change received 1 billion US$, as compared to 960 M US$ each under GEF-3. For each, this corresponds to 33% of the total of 3,010 billion US$ for all focal area funds, as has been historical practice.

The replenishment amounts have increased in nominal terms since the pilot phase, from two billion US$ in GEF-1, US$ 1,2759 billion (GEF-2), and three billion US$ in GEF-3 to 3.13 billion US$ in the current phase. These do not reflect depreciation, inflation, exchange rate differences or other changes in value over time. Nor do amounts provided to counties in US dollar terms take account of purchasing power parity (PPP), whereby exchange rate equalizes the purchasing power of different currencies in different countries for a given basket of goods. The nominal size of replenishments, namely value expressed in money of the day, is different from the *real* value, which adjusts for the effect of inflation. Some of the 'gain' in the GEF-4 replenishment was caused by the depreciation of the US dollar compared to other currencies. Estimates indicate that the new money for GEF-4 of 3.13 billion US$ may amount to less than two billion US$ in 1994 dollars. When comparing historical utilization, this may color countries' perceptions that they receive less funds now than previously.

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

b. Eligibility

Countries are eligible for GEF funding in a focal area if: (a) they meet eligibility criteria established by the relevant Conference of Parties for the focal area; or (b) they are members of the conventions and are countries eligible to borrow from the World Bank or eligible for technical assistance from UNDP[85].

The RAF has changed the processes for establishing which countries may receive GEF support, because a system allocating resources up-front must be based on clear list of which countries are eligible. Until the RAF, country eligibility was decided on a case-by-case basis when a project was submitted. The system regulated itself automatically, in the sense that projects were mainly sought by countries with reasonable capacity and interest in GEF projects; and with either World Bank or UNDP country representation. Eligibility is now formalized.

Establishing eligibility was not an easy process for the GEF Secretariat. The *RAF document* found that "...there are not always clear criteria provided by the conventions to determine eligibility. Indeed, no clear list exists of eligible parties under the convention for which the GEF is the financial mechanism." For instance, while Convention on Biodiversity considers developing country parties eligible for GEF funding, it does not provide a list of developing countries. Under the UNFCCC guidelines, non-annex 1 parties to the Convention on Climate Change irrelevant of their income level are eligible for funding". The GEF Secretariat therefore established interim criteria.

In its meeting of November 2005, the Council requested that the GEF Secretariat consult with the UNFCCC and CBD Secretariats to finalize the lists of eligible countries by April 2006. At the first Meeting of the RAF Task Force (RAFT) at the end of November 2005, the first item on the agenda was the confirmation of eligibility list by UNFCCC, CBD, and WB/UNDP, since indicative allocations could not be finalized without this information. By the second meeting in January 2006, the UNFCCC Secretariat had certified the eligibility list, and shortly thereafter the Executive Secretary of the CBD agreed on the list of eligible countries under the CBD as "those countries that are eligible under paragraph 9 (b) of the GEF Instrument minus the list of developed countries of the CBD". Since the start of the RAF, the GEF Secretariat has expended efforts in trying to resolve the issue on a more permanent basis for the reallocation (as well as for other focal areas).

The Council is authorized to determine additional eligibility criteria as per the Instrument, paragraph 9. In November 2004, the GEF Secretariat also requested the Council to clarify the appropriate treatment of countries that were in line for European Union (EU) accession. Council Members "indicated that they would address this issue in the context of negotiations for a potential GEF-4 Replenishment"[86]. Without clarification, initial allocation were announced (September 2006) for these countries. Subsequently, several countries became members of the EU. Estonia, Hungary[87], Latvia and Lithuania have graduated from both the World Bank and UNDP technical assistance and hence are no longer eligible for GEF funding in biodiversity and climate change, effective between September 2006 and April 2007. Their GEF allocations reverted to the Trust Fund and were redistributed at the mid-term reallocation. This was also the case for Poland, who although eligible, voluntary declined its allocation, finding that "the GEF resources can make a greater difference in less developed countries"[88]. This is commendable, as it liberated 38.1 MUS$ for other programming in climate change.

UNDP and World Bank assistance. The Instrument criteria of eligibility for World Bank or UNDP support does not play a large role in determining the country list, because the convention criteria are broader. Turkey and Ukraine, two indicative allocation countries, are eligible as Parties and recipient of WB and UNDP assistance, but are not non-Annex 1 signatories. The **World Bank** does not have operations in 25 of the GEF eligible countries[89]. **UNDP** provides assistance to most of the countries, except for the East European countries that graduated both from UNDP and World Bank support[90]. The UNDP also provides support to so-called net contributor countries (NCC); these are countries with relatively high income but that benefit from UNDP support while providing more in donor contributions to UNDP (but not to the GEF). This was an issue that required clarification in the development process. However, most of these countries are eligible under the convention criteria in any case (except Slovenia).

New countries. Some countries that are eligible never requested GEF funds previously. The "new entrants" to the GEF system are particularly found in the climate change focal area, where the Convention provides for GEF funding to all Annex 1 signatories. They consist of either high income countries; or low income countries, such as small crisis or post-conflict countries. In climate change, 18 countries have not had any historical allocation[91]. Four countries are not Party to the conventions and therefore not eligible (Iraq, Kosovo, Palestine, and Somalia).

Non-ODA recipients. The RAF also provides funds to countries that are eligible for loans and lending but that are not otherwise eligible for large sums of grant money, such as China. RAF allocations are also provided to 27 countries that are not traditional recipients of official development assistance (ODA OECD definition[92]) (see **table** 2.1 including nine individual allocations amounting to 183.91 M US$. The GEF also provides RAF funds to 27 countries that do not benefit from either IBRD loans or concessional funding from the International Development Association (IDA) (14 are the same as non-ODA countries), though only 69.28 M US$[93]. Because the RAF performance index is based on the CPIA assessment of IDA grant recipients and IBRD loan clients, performance data for such countries are not available. IBRD loan borrowers, for which CPIA data are not disclosed by the World Bank, receive 67% of the focal area funding in climate change (605.10M US$), and 59% in biodiversity (534.32 M US$). Eight countries do not have a GEF focal point; it is uncertain how such countries would access a RAF allocation.

Table 2.1: RAF allocation to ODA countries*

RAF adjusted allocation to ODA and country #	161 CC countries						150 BD countries					
	count #			allocation M$			count #			allocation M$		
	all	ind	grp	all	ind	grp	all	ind	grp	all	ind	grp
ODA countries	134	38	96	724.67	597.85	126.82	133	55	78	845.03	722.82	122.21
non ODA	27	8	19	175.33	153.52	21.81	17	2	15	54.97	30.38	24.58

*ind=individual county, grp=group country; assumes adjusted allocation for group countries

The RAF design mitigates some potentially skewed effects of the broad eligibility criteria. The *RAF document* (paragraph 26) specifies that "if an eligible country: (i) is not a Participant in the GEF; or (ii) has not previously received GEF resources in the focal area; or (iii) does not have any GPI data, then it will […] have access to the group resources". This caveat was introduced right before the RAF approval meeting, with no objections. Given that many countries who need resources receive small allocations, it would be politically difficult to give big allocations to countries that are not even part of the GEF. The paragraph 26 affects a number of countries.

Participation. The Instrument specifies[94] that any State member of the United Nations or of any of its specialized agencies may become a Participant in the GEF "by depositing with the Secretariat an instrument of participation (in the form in Instrument Annex A)"[95]. GEF Participants can attend the Assembly with authority to change the Instrument that established the GEF; be represented in the Council though constituency group; and vote at the Council. There are currently ten eligible countries that are not GEF participants[96]. This mainly affects Angola in biodiversity; with a high GBI and past allocation the country would have had an indicative allocation of US$ 6.53 million dollars had the government signed and deposited the Instrument annex with the Secretariat.

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

- **Small allocations.** Support and guidance from COP have not been helpful or timely in determining eligibility. The broad eligibility criteria are mainly derived from the conventions, and means that the GEF has more recipient countries than any other donor. The bilateral donors also work with fewer countries, ranging from Portugal (20) to the EC (144)[97]. The IFIs with regional focus, ADF, AfDF, and IDB, each work with fewer than 50 partners. The large number of recipients, coupled with limited resources, spreads the GEF funds relatively thin.

IFAD is the agency that is closest to GEF in its coverage of countries, including a large number of small countries that traditionally accessed funds only infrequently. IFAD also resembles GEF in being a special purpose agency with a focused mandate rather than a general development agency. The way that IFAD has coped with the challenge of its country portfolio, with a large number of countries with small allocations, many of which will not be used during every replenishment period, is to have quick iterative reallocations to countries with effective demand.

- **Unused funds**. To the extent that new countries to the GEF will not make use of their potential allocations, this holds up funds that could have been made available to other recipients for global environmental benefits. Questions arise whether higher-income countries need the GEF funding, and how the incremental cost principle would relate to GEF support in countries without much ODA. These countries are mainly in the group allocation, and as such are not assigned any specific amount. It would, however, be easier to manage the group allocation with clearer information on how many and which of the 115 and 93 countries would realistically want to access funds.

- **Managerial and information issues**. The Secretariat, with information from World Bank and UNDP, manages the eligibility list, and discloses this in the RAF documents. Apart from the RAF documents on the web, eligibility is not clearly announced to recipients. It is not clear that capacity exists to ensure individual notification to countries of eligibility or of changes in eligibility, or reasons for eligibility of group allocation or individual RAF access.

- **Barrier to access**. Countries find it increasingly difficult to understand the eligibility of the various funds and focal areas supported by GEF, and hence how to access the various funding windows, including the two RAF focal areas, other focal areas; whether a country receives group or individual allocation; the SCCF, LDCF, SPA, biosafety support, Adaptation Fund and so on. For example, clarifications were requested by Chad during the sub-regional workshops on whether a country would be eligible to funding from the Adaptation Fund if a country did not ratify the Kyoto protocol. Eligibility is likely to become more complex with an expansion of the RAF, with 119 countries eligible in POPs, 148 in land degradation and in ozone, 112 in biosafety; and 150 in international waters.

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

c. Data coverage and gaps

Based on the eligible countries, the indices must be calculated for 161 countries in climate change and 150 in biodiversity, respectively. To determine who obtains what amounts from the GEF Trust Fund under the RAF, the Secretariat (a) requests and obtains underlying data for the indicators, with the support to the World Bank DEC department, (b) use the indicator data in the RAF formula to calculate the country scores; and apply other RAF design rules to arrive at each country allocation. For a country to have an allocation, it needs to have indicators for the GBI-BIO, GBI-CC (GHG emissions and energy intensity) and GPI (four indicators).

The country coverage of data for the global environmental benefits (GBI) is good. Virtually all countries have data for the indicators. In the **biodiversity** focal area, no missing value is found for the GBI-BIO indicators for 150 eligible countries. In **climate change**, 157 (of 161) have the full set of climate change indictor data. The four (of 161) countries without GBI computed have no GHG emissions data or energy intensity ratio[98]. They are included in the climate change group allocation. A special case, four countries have their GBI in climate change computed from GHG data only. These are generally small states (Nauru, Cook Islands, Niue, Maldives). An additional thirteen countries, including post-conflict countries (Afghanistan, Libya, Serbia (0.2%) and Montenegro; Bosnia and Herzegovina) do not have their GBI calculated because they never participated in GEF or received GEF resources previously. Any improvement in energy intensity cannot be established, and the energy intensity ratio is set at neutral (factor set to one), which affects more the countries with high GHG levels[99]. See **table 2.2** below.

The country coverage for performance (GPI) is more mixed. In performance, the majority of countries (115, 70% of 161) have data for *all* the four indicators in performance (CEPIA and BFI; and two indicators in the PPI) as envisaged in the RAF allocation formula. If data for one indicator are missing, the *RAF document* provides for use of the other GPI indicators or substitute indicators. Countries for which there are some indicator data gaps have a GPI, computed from one or more available indicators. See the use of different indicators for countries in **Figure** 2.1:

- Twelve countries (both focal areas) derive their GPI from **World Bank data** (CEPIA/BFI and the Implementation Completion Report (ICR) ratings): Armenia, Burundi, Chad, Gambia, Guinea-Bissau, Haiti, Maldives, Moldova, Rwanda, Samoa, Sao Tome and Principe, and Togo[100]. This implies that they have no GEF Project Implementation Report (PIR) for the last ten years for either focal area.
- Six countries obtain their GPI score from the **CEPIA/BFI and GEFPP**: Namibia, Sudan, Romania, Kiribati, Marshall Islands and Micronesia (i.e. missing WB ICR ratings for environment projects)[101].
- One country (Serbia and Montenegro) obtained its GPI score from **CEPIA/BFI only** (missing GEF PIR and WB ICR data). Its GPI is not used for the climate change allocation under the RAF.

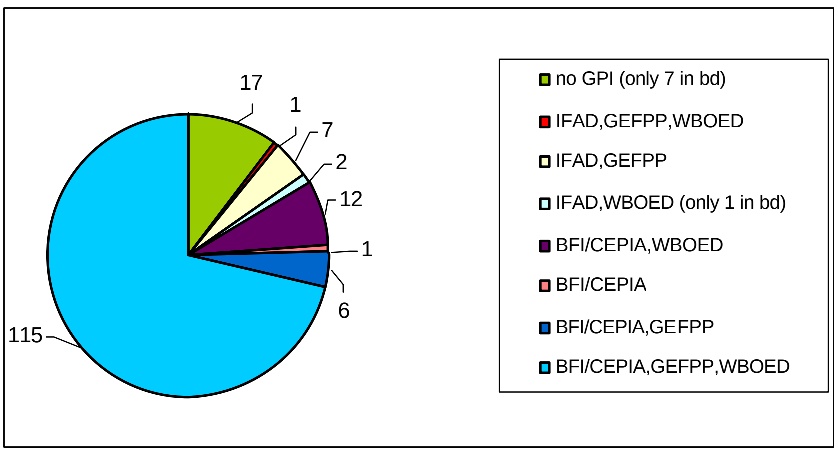

Figure 2.1: Sources of performance data used for 161 countries

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

- Seven countries that combine data from IFAD and GEF PIRs to compute the GPI score: Cuba, Antigua and Barbuda, Syria, Korea DPR, and Suriname in both focal areas; and Libya and Cook Islands in the biodiversity focal area.
- Two countries (Afghanistan in biodiversity and Cyprus in climate change) that obtained the GPI score from IFAD and WB-IEG data (missing GEF PIR data).
- The GPI score of Barbados, which is computed from IFAD, GEF PIR and WB ICR ratings, in both focal areas.

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

In most cases of a country missing the full indices data, the allocation would have stayed the same if the needed data were available for the country. The RAF design ensures that countries without historical GEF involvement and participation or without complete performance data may benefit from the group allocation. Countries that never had any GEF projects do not have the portfolio index (PPI). Many of the countries without a GEF portfolio are also not traditional World Bank recipients and therefore do not have CEPIA or BFI either.

Table 2.2: Country coverage and data gaps

Indicator	Covers	Biodiversity / countries missing data (of 150)	Climate change / countries missing data (of 161)
BFI/CEPIA	134 countries in both focal areas	**16 countries**: Palau, Liberia, Bahamas, Nauru, Niue, Tuvalu, Myanmar, Barbados, Afghanistan, Suriname, Syrian Arab Republic, Cook Islands, Korea DR, Antigua and Barbuda, Cuba, Libya	**27- Same as for BD plus 11 more**: Bahrain, Israel, Qatar, United Arab Emirates, San Marino, Saudi Arabia, Singapore, Kuwait, Oman, Malta, and Cyprus
IFAD	131 in CC 128 in BD	**22 countries**: Liberia, Bahamas, Palau, Nauru, Niue, Tuvalu; plus 16 countries : Poland, Lithuania, Latvia, Estonia, Bulgaria, Hungary, Slovak Republic, Russian Federation, Uzbekistan, Belarus, Ukraine, Vanuatu, Kiribati, Micronesia, Marshall Islands, and Turkmenistan	**30- Same as for BD plus 8 more**: Bahrain, Israel, Qatar, United Arab Emirates, San Marino, Saudi Arabia, Singapore, and Kuwait
GEFPP = PIR	137 in CC 134 in BD	**16 countries**: Palau, Serbia and Montenegro, Armenia, Rwanda, Moldova, Samoa, Sao Tome and Principe, Maldives, Gambia, Haiti, Chad, Burundi, Afghanistan, Togo, Myanmar, and Guinea-Bissau	**24- Same as for DB plus 8 more**: Bahrain, Israel, Qatar, United Arab Emirates, San Marino, Oman, Malta, and Cyprus
IEG ICR	130 in CC 129 in BD	**21 countries**: Palau, Serbia and Montenegro, Myanmar, Liberia, Libya, Niue, Namibia, Sudan, Bahamas, Nauru, Tuvalu, Kiribati, Marshall Islands, Cuba, Antigua and Barbuda, Korea DR, Cook Islands, Micronesia, Syrian Arab Republic, Romania, and Suriname	**31- Same as for BD plus 10 more**: Bahrain, Israel, Qatar, United Arab Emirates, San Marino, Saudi Arabia, Singapore, Kuwait, Oman, and Malta
GPI	144 in CC 143 in BD	**7 countries**: Bahamas, Liberia, Myanmar, Niue, Nauru, Palau, Tuvalu	**17 - Same as for BD plus 10 more:** Malta, Bahrain, Qatar, San Marino, Israel, Kuwait, Oman, United Arab Emirates, and Saudi Arabia
GBI-BIO	150 in BD	**None**	**N/A**
GBI-CC		**N/A**	**4 missing baseline emission values:** Micronesia, Marshall Islands, San Marino, Tuvalu **17 missing adjustment factor values:** same 4 plus Nauru, Cook Islands, Niue, Korea DR, Cuba, Myanmar, Qatar, Libya, Afghanistan, Cambodia, Maldives, Serbia and Montenegro, Bosnia and Herzegovina

Table 2.2 summarizes the missing data and indicators used for computing GPI and GBI. The table also shows 17 climate change countries for which **GPI is not calculated** as they are included in the group under the paragraph 26 of the RAF. Countries automatically form part of the group allocation if they lack data to compute either the GPI or the GBI, under the paragraph 26 of the *RAF document*:

- Seven countries in **biodiversity** (of 150, 4.6%) do not have GPI computed. The Bahamas, Liberia, Palau, Niue, Tuvalu, Nauru lack data for the BFI/CEPIA and IFAD, and Myanmar does not have GPI due to missing BFI/CEPIA and PPI. Only Bahamas, Liberia and Myanmar have a share of the GBI in biodiversity higher than 0.3%, for which having performance data might have made a difference.

- In the **climate change** focal area, the number of countries without the GPI increases to 17 (of 161, 10.5%); the same ones as in biodiversity as well as Singapore, Malta, Bahrain, Qatar, San Marino, Israel, Kuwait, Oman, United Arab Emirates, and Saudi Arabia. These countries miss BFI/CEPIA data as well as IFAD data, while three countries (Myanmar, Malta and Oman) have IFAD data, but do not have GPI due to missing BFI/CEPIA and PPI. Seven countries[102] have a share of the GBI in climate change higher than 0.2%. These countries are not traditional ODA or GEF recipients, and their group allocation is linked to convention eligibility. Details of data coverage per country are included in the *technical paper on data sources*.

c. Formula calculation of scores

Once eligibility and data availability are ascertained, the data for the indices is compiled as follows, though the order of each step can differ:

- The GEF Secretariat requests the WB-DEC to assist with obtaining data on biodiversity from World Wildlife Fund (WWF), the International Food Policy Research Institute (IFPRI), World Conservation Union for Nature (IUCN) and Conservation International (CI); and Birdlife.
- Data is downloaded from Fishbase (on marine fish) and World Resources Institute (WRI) (on climate change).
- WB-DEC compiles maps of the ecosystems, combined with species information, climate change emissions and energy intensity. This can be a lengthy process. DEC provides the Secretariat with excel spreadsheets with data for each country, including developed countries.
- The Secretariat downloads ratings from the World Bank Business Warehouse on ICRs for the last ten years, selects projects that seem relevant and enter these into a spreadsheet.
- The Secretariat obtains ratings from the PIRs in a spreadsheet.
- The Secretariat requests CPIA data from the WB; this is available annually in June.
- The Secretariat normalizes all the performance ratings so that they are on the same scale.
- The Trustee is requested to provide an assessment of likely available financial resources.
- When all the data are compiled, the Secretariat combines the information on eligible countries; replenishment focal area amount available and the indicator scores in a data processor that calculates the total scores, add these up and compute the share of the total for each country, for each focal area.
- The country share is multiplied with the total available resources to arrive at each country's preliminary allocation.
- The Secretariat applies ceilings and floors, and aggregates the resources that add up to 75% of total focal area resources (in this case one billion US$). These countries receive individual allocations, the rest go to the group allocation. (See technical paper 32 on design.)

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

The MTR found four countries to have erroneous data values in the calculation[103], whereby ICR ratings values had changed from blank (i.e. missing) in the spreadsheet to zero (below the possible range of 1-5). These were group countries and the miscalculation only affected one country with individual allocation that should have had 0.76M US$ more. This was rectified in the reallocation. In working with such large numbers and complex data sets, such problems are not uncommon and in this case the error was minor. It does however, pose risks for the future, as only one person in the Secretariat has had access to the data and the ability to calculate and apply the formula[104]. There has been no system of staff back-up or verification for the application and maintenance for a system that the GEF is now dependent on.

The continuity and 'audit trail' in underlying data leave somewhat to be desired. On the performance side, the internal original performance data were not systematically recorded for the initial allocation, namely ICRs and PIRs. This meant that for the reallocation, a new assessment of relevant ICR ratings was made for the last ten years, rather than updating the initial assessment on a rolling basis (adding ICRs made available since 2006, dropping the two first years but keeping the rest the same). As there is some judgment in determining which of the many ICRs for a country are relevant to the environment, a consistent set of ICRs for each country would be preferable.

The GEF is also dependent on the availability of the raw data, and the WB-DEC support on the GBI analysis, which in turn is dependent on one person and for which there were challenges in continuity[105]. Apart from the inter-office agreement with DEC, no formal working arrangements were established with the sources for cooperation on data. From the perspective of the organizations providing data, their data are global public goods (except for the World Bank CEPIA and BFI), for which they would like to see active application and do not typically charge at present. Sources of data are however, interested in due credit for their work and in formalizing the arrangement with the GEF. Some would appreciate support for the data provision. Some of the data sources whose information was downloaded, were not aware of its use for the GEF index.

3.5 Council Decisions and Implementation

Based on the Council decisions and the process described above, this section addresses the key question #4: *Has the RAF been implemented in accordance with Council decisions*? In November 2003, the Council decided that the "system should be consistent with the GEF Instrument, the environmental conventions for which the GEF is a financial mechanism, the Policy Recommendations of the Third Replenishment, [..] and the Beijing Assembly Declaration", the section covers responsiveness to other guidance as well. The decisions by the Assembly and the replenishment negotiations are captured in endorsement by the Council, and do not differ significantly in nature. Decisions made over the period of development of the RAF by the Council and the other governing structures mentioned above are compiled in **table** 2.3.

In general, the RAF has been implemented in full accordance with Council decisions on the intended actions to launch and operate the RAF. The GEF Secretariat and Agencies have implemented the RAF as instructed, including "to consult with countries to assist them with the transition to the RAF, and to involve the Executing Agencies in planning process" (November 2005); "to strengthen its outreach and communications with the Conventions" and "to continue to monitor the implementation of RAF" (June 2006). The *RAF document* has been fully implemented; with application of the formula and additional design rules, and the reallocation. Minor exceptions were made to the 50% restriction on country resource use before GEF-4 midpoint, but these were reasonable as the overall resource utilization is only at 29% and there is ample room to address the underlying rationale for the 50% limitation. The GEF Secretariat has also worked on indicators for a possible GEF-wide RAF.

The legal opinion on the RAF from the GEF legal counsel (2004) concluded that GEF "there is no provision requiring or prohibiting a performance-based allocation system" in the GEF Instrument, and that Convention guidance has not implied any decisions having the effect of mandating or prohibiting a performance-based allocation[106]. This was also a conclusion of a review to assess whether the RAF is consistent or compatible with the conventions (Wiser 2007[107]) commissioned by Germany, although the review also noted some areas where attention to future impact of the RAF merit attention.

The actions taken in accordance with Council decisions do not necessarily lead to achievement of the objectives assigned to the RAF. Council asked for the system of the transparent, "based on transparent assessments of those elements of country capacity, policies and practices most applicable to successful implementation of GEF projects", and ".. ensure that all member countries can be informed as to how allocation decisions are made". The final decisions on disclosure were not explicit on the range of data to be made public, except for the indicators sources *not* publicly available, and did not envisage immediate disclosure of preliminary allocations. The RAF design, underlying indicators and process remain unclear to virtually all stakeholders.

The Council asked for "the preparation of a handbook to assist national focal points and other stakeholders" in June 2006. While succinct guidelines were issued in May 2007, these cannot be considered a handbook, and the Operational Handbook revealed in April 2008 may not be user-friendly enough for a wider group than the Secretariat and Agencies (for whom it is mainly targeted), and is available "on request".

All decisions were not equally realistic or sufficient, as covered in section above. The initial timeline set for the development of the RAF was not pragmatic, for which "implementation should be initiated immediately after a Council decision in May 2003" (after six months). Even without expectation of the political discussions to ensure, experience with other PBA systems, with more straight-forward needs than the GEF, should have indicated that such a system would not be operational after less than two years[108]. Other agencies that adopted a PBA seem to have been able to do so more quickly, but they all use the similar 'off-the-shelf' needs component of population and GNI per capita.

The initial objectives were also overly ambitious, namely that the system should aim at "maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide". It is difficult to see how such a system, for GEF recipients, would affect a world-wide scale. Moreover, although assumed, it was not made clear how or in precisely what way, the allocation system would work to change policies and practices. The goal of maximizing impact on the environment is likely somewhat more realistic.

While the Conventions have not provided specific guidance on the RAF, a number of reports including the 2004 GEF climate change program study, have observed that "the guidance from some conventions has been very vague and without any prioritization" (Wiser 2007). One area where guidance is needed is country eligibility, especially for the climate change convention. In the third CBD review (2008) of the effectiveness of the financial mechanism, the independent evaluator recommended "The CBD COP providing clear, prioritized guidance including on funding requirements for the GEF in its role to support global benefits"[109].

The key principles established for the RAF are open to interpretation. It is therefore debatable to what extent the RAF has been implemented in accordance with these principles. Some decisions are open to interpretation, which renders difficult a firm assessment of implementation. This is especially the case of the principles assigned to the RAF, namely simplicity, transparency, pragmatism, cost-effectiveness, comprehensiveness, country drivenness, and equal opportunity for all recipient countries (November 2003 and May 2004). Decisions on key principles – or even goals – are not likely to be realized without a specific action or strategy to achieve them.

Discussion of RAF conformity and compliance with guidance has focused on the indices and other design elements. Yet, it is not realistic to expect that all aspects relevant to the GEF can be reflected in indicators. The key aspect is how funding is addressed in implementation. The RAF was not approved with a link to the areas covered in the indices. In other words, countries are not obliged to prioritize areas for which they have received an allocation, nor are they constrained from funding areas not included in the indices – unless by the GEF focal area strategies, which are generally derived from convention guidance. This is the case for areas of land use and land use change and forestry (LULUCF) and adaptation, for which concern was expressed in past studies and comments that RAF may not be in line with convention guidance. Both areas are fundable either from RAF or from special funds managed by the GEF. Carbon capture and storage, another area of concern, was an area of concern before the RAF, and as concluded by the Delphi experts, may be best addressed outside a PBA. Another issue is whether or not the pattern of allocations would change based on *other* indicators, which is not possible to say without a full set of such indicators. Another issue is whether the funding is sufficient for all the different priorities.

Table 2.3: Council decisions on the RAF and their coverage

Scope of decision	Council decision	Source and date
Goals and definition	▪ […] develop a GEF-wide system based on environmental priorities and performance. (Nov03) ▪ The GEF Resource Allocation Framework (RAF) is a system for allocating resources to countries in a transparent and consistent manner based on global environmental priorities and country capacity, policies and practices relevant to successful implementation of GEF projects	Final Council decision on RAF, September 2006
	The Council agrees to implement, for the GEF-4 replenishment, a resource allocation framework based on an index of a country's potential to generate global environmental benefits in the biodiversity and climate change focal areas and an index of performance. It will be structured as described in document GEF/C.26/2/Rev.1.	Final Council decision on RAF, September 2006
	Requests the GEF Secretariat to work with the Council to establish a system for allocating scarce GEF resources within and among focal areas with a view towards maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide.	*Summary, Third Replenishment*, November 2002
Purpose of indices	▪ GEF Performance Index: to measure each country's capacity to successfully implement GEF programs and projects based on its current and past performance. ▪ The GBI for climate change: to measure the potential global benefits that can be realized from climate change mitigation activities in a country. ▪ The GBI for biodiversity: to measure the potential global benefits that can be realized from biodiversity related activities in a country.	Final Council decision on RAF, September 2006
Pre-conditions	System should be consistent with the GEF Instrument, the environmental conventions for which the GEF is a financial mechanism, the Policy Recommendations of the Third Replenishment, Council decisions at the October 2002 meeting, and the Beijing Assembly Declaration.	Council, November 2003
	..options and simulations that are: a) consistent with GEF instrument; b) sufficiently specified to be operational; c) use GEF indicators and weightings; d) consideration of floors and ceiling, regional/global projects, SGP, cross-cutting capacity building for LDCs and SIDS, and enabling activities…	Council, May 2004
Principles	Consider principles of simplicity, transparency, pragmatism, cost-effectiveness, comprehensiveness, country-drivenness, equal opportunity for all recipient countries.	Council, May 2004November 2003
	The paper should propose an allocation system, […], based on the core principles of selectivity, accountability, and results.	3rd replenishment
	The system should establish a framework for allocation to global environmental priorities and to countries based on performance. Such a system would provide for varied levels and types of support to countries based on transparent assessments of those elements of country capacity, policies and practices most applicable to successful implementation of GEF projects. This system should ensure that all member countries can be informed as to how allocation decisions are made.	3rd replenishment, May 2003
Process	Secretariat to [..] continue to consult with countries to assist them with the transition to the RAF, and to involve the Executing Agencies in planning process	Council, November

Scope of decision	Council decision	Source and date
		2005
	Participants request the GEF Secretariat to prepare, in consultation with the Council, a paper for Council review and decision at its meeting in May 2003 [..]. The paper should propose an allocation system, for which implementation should be initiated immediately after a Council decision in May 2003, based on the core principles of selectivity, accountability, and results.	Replenishment, October 2002
	• Secretariat and the agencies to provide continuing support to recipient countries, including the preparation of a handbook to assist national focal points and other stakeholders. • Secretariat: (a) to strengthen its outreach and communications with the Conventions; (b) to report to the Council issues raised at the sub-regional consultations; and (c) to continue to monitor the implementation of RAF. • Secretariat and Implementing and Executing Agencies to assist the national focal points in implementing the RAF.	Council, June 2006

Since the Conventions have not provided explicit guidance on most of the issues possibly touched by RAF implementation, it cannot be said that the RAF is against such guidance. Several potential impacts merit continued monitoring (Wiser 2007), such as impact on funding for the Cartagena Biosafety Protocol; insufficiency of funding for eligible activities, and for addressing market transformation and market failures in least developed countries and small island developing states.

The RAF does in principle provide enough minimal funding to ensure the enabling activities and reports required by the COPs. The group allocation rules, issued with the reallocation, do not guarantee a minimum amount for any country. Any allocation is subject to GEF project criteria and projects might not be approved. If the conventions now issue guidance on required enabling activities, the GEF Secretariat and the Council would have to amend those rules or obtain the funding in another manner.

Under RAF, countries may still have an allocation at their disposal, and yet choose to spend it on other means. It is not feasible for the GEF Secretariat or Agencies to pressure countries to prioritize projects in areas to which the country has signed as a Party to a convention. In an ideal world, funds would suffice to include *all* key priorities – this is not the case under RAF.

Annex A: Mid-term review Terms of Reference: Key questions and sub-questions

Theme	Key Questions
Design Issues	**1. To what extent do the global environmental benefits indices reflect best available scientific data and knowledge?** **Sub-questions:** • To what extent does the RAF channel resources to countries with high global environmental benefits scores? • Do the biodiversity indices adequately reflect: o Guidance from the CBD? o Marine resources as compared to terrestrial resources? o Agro-biodiversity? o Biosafety? • Do the climate change indices adequately reflect: o Guidance from UNFCCC? o Adaptation to climate change? o Vulnerability to climate change?
Design Issues	**2. To what extent can the performance indices be considered as 'best practice'?** **Sub-questions:** • To what extent does the RAF channel resources to countries with high performance scores? • To what extent do the indictors relate to countries' ability to implement GEF projects successfully and produce sustained global environmental benefits? • To what extent would fluctuations in the CPIA indices cause volatility in RAF allocations? • To what extent do the sub-indicators in the Country Environmental Policy and Institutional Assessment Indicator (CEPIA) measure the quality of governance in a country? To what extent do the GEF Country Performance Index indicators reflect countries' institutions and policies, including successful environmental policy formulation? • What are the weights of performance within the indices (allocations formula), and of governance (within performance)? **3. To what extent is the RAF designed to maximize global environmental benefits?** **Sub-questions** • What is the balance and interrelationship between the performance and global benefits indices? To what extent are countries with high global environmental benefits and/or needs receiving lower allocations because of low performance scores? • To what extent does the RAF provide incentives for countries to improve their performance over time, both for individual and group allocation countries? • How does the RAF provide opportunities for synergies between climate and biodiversity work, or with other focal areas? • How flexible are the indices? Do they take account of changes in socioeconomic stability; crisis and post-conflict situations and changes in the underlying indicators? • To what extent does the RAF design take the actions of governments and other donors on global environmental benefits into account? • What is the impact on allocations of the various exclusions to the allocation formula based on indices, such as those for global and regional projects, the SGP, including the "group allocation" and the targeted supplements? What is the impact of the floors in allocations? • What would be the impact on allocations if the weights in the allocation equation were different, within and between each indice?

<table>
<tr><th>Theme</th><th>Key Questions</th></tr>
<tr><td>Implementation Issues

Implementation Issues</td><td>4. Has the RAF been implemented in accordance with Council decisions[1]?

5. To what extent has the initiation and implementation of the Resource Allocation Framework been transparent and timely?
Sub-questions:
• To what extent is RAF design (indices, scores, allocations, fees) transparent and publicly available to all GEF participants?
• To what extent have information, guidelines and GEF support facilitated timely and efficient implementation of the RAF? To what extent do GEF policies and procedures have an impact on RAF implementation?
• To what extent have the GEF Agencies supported the implementation of the RAF in their interactions with recipient countries?
• How do the group allocations compare to individual allocations in terms of transparency and predictability?

6. How has the RAF affected the roles and operation of countries, agencies and entities under the Instrument?
Sub-questions:
• How has the RAF affected country processes of establishing priorities for GEF funding?
• To what extent has the Resource Allocation Framework enhanced country-driven approaches and ownership, including consultation with country stakeholders?
• To what extent has the RAF changed the role and inter-relationships of the GEF agencies and the GEF Secretariat?
• What are the observable changes in the roles and inter-relationships of other GEF entities, as well as civil society and the private sector?
• How has the RAF affected the operational and administrative costs of the GEF? What are the costs and savings of introducing the RAF (at corporate, Agency and country levels)?

7. What are the observable changes in GEF programming from GEF-3 to GEF-4?
Sub-questions:
• How do current allocations to countries compare with historical commitments during previous replenishment periods?
• How does GEF-4 compare to GEF-3 in terms of transparency, simplicity and efficiency?
• What are barriers or promoting factors for access to funds by countries, and underlying reasons? (such as co-funding; activity cycle, other corporate GEF reforms etc.)
• To what extent have priorities for the project pipeline and the nature of projects changed?
• To what extent has the funding of enabling activities, that facilitate Convention reporting requirements, been affected by the RAF?
• How has the RAF affected the funding of[2]:
  o Global and regional projects (as compared to country projects)?
  o The Small Grants Programme?
  o Least Developed Countries and Small Island Development States?
  o NGOs and civil society?

8. What has been the impact of the various design elements of the RAF that have raised concerns?
Sub-questions:</td></tr>
</table>

[1] The GEF Instrument requires the the GEF "to act in conformity with the policies, program priorities and eligibility criteria decided by the Conference of Parties for the purposes of the convention concerned".
[2] See Methodology. The mid-term review will analyze the effect on all countries, groups and nature of project. It will not attempt to apply classification of countries that require subjective judgment, but use categories which are recognized in international practice.

Theme	Key Questions
Implementation Issues	o What is the impact of the 50% rule on GEF programming, operations and delivery? o What is the impact of the group allocations on GEF programming and operations? o How do the group allocations compare to the individual allocations? o How has the allocation to global and regional projects been implemented and what has been its relationship with individual and group allocations? **9. To what extent has the RAF been cost-effective?[3]**
Contextual Issues	**10. What recent developments, both within the GEF and elsewhere, should the Council take into account in considering potential changes in the Resource Allocation Framework or the way it is implemented?** **Sub-questions:** • How does the Resource Allocation Framework compare to the performance-based allocation systems of other multilateral agencies? • Have new international best practices in performance-based allocation frameworks and their implementation emerged which should be taken into account? • Are any developments in the guidance of CBD and UNFCCC to be taken into account? • Can recent scientific developments be incorporated (e.g. the approach to look at environmental goods and services – including global ecosystem services – or approaches to mainstream biodiversity conservation in production systems)? • Are new databases available in the UN that could be used to improve upon the RAF indices? What other relevant databases could be taken into account, including those developed by think-tanks, universities, NGOs, etc? • Are there new assessments or indices available that could be used to assess country performance in terms of the quality of their institutions and policies that the GEF could incorporate?

[1] The full Council decision is contained in Annex I of the Joint Summary of the Chairs of the Special Meeting of the Council, August 31-September 1, 2005.
[2] GEF Council, *Summary of Negotiations on the Third Replenishment of the GEF Trust Fund,* Annex C, para.16 GEF/C.20/4 (2002)
[3] Ibid, Annex I and II; See also GEF Council, *The Resource Allocation Framework,* November 8 – 10th, 2005, para.30 – 32 GEF/C.27/Inf.8/Rev.1 (2005)
[4] *Terms of Reference for the Mid-term Review of the RAF*, GEF/ME/C.32/6/Rev.1, November 21, 2007, approved by the GEF Council.
[5] Atlas-ti – see www.atlasti.de
[6] Policy Recommendations for the Fourth Replenishment of the GEF Trust Fund, GEF/A.3/6 Annex A, # 19
[7] Policy Recommendations for the Fourth Replenishment of the GEF Trust Fund, GEF/A.3/6 Annex A, # 14
[8] Joint Summary of the Chairs, Special Meeting of the GEF Council, August 30 – September 1, 2005.
[9] GEF/C.27/INF.8/REV.1, The GEF Resource Allocation Framework, October 17, 2005.
[10] The policy recommendations are adopted by the 32 donors of the GEF. See GEF/C.20/4, Summary of Negotiations on the Third Replenishment of the GEF Trust Fund, Annex C.
[11] Beijing Declaration of the second GEF Assembly, 18 Oct 2002, para.10.
[12] Nov 2003, GEF/C.22/11, Joint Summary of the Chairs
[13] Council Joint summary of the chairs, November 2003 and May 2004.
[14] The final Council decision, September 2005.

[3] The issue of cost-effectiveness will be addressed by comparative review of findings on questions of effectiveness (related to progress towards reaching objectives and effectiveness in allocation) and questions of efficiency (related to process, time, effort and money). The comparative review of experiences and lessons learned of other allocation frameworks may provide more insight into cost-effectiveness. The aggregation of findings should also allow for generation of lessons for a possible GEF-wide RAF.

[15] Joint Summary of the Chairs, November 2003, Item 14, page 5.
[16] The final Council decision, September 2005.
[17] RAF at a Glance, GEF Secretariat website, May 2008, and CEO letter to OFPs 8 August 2006.
[18] Joint Summary of the Chairs, Special Meeting of the GEF Council, August 30 – September 1, 2005.
[19] Policy Recommendations for the Fourth Replenishment of the GEF Trust Fund, GEF/A.3/6 Annex A, #14
[20] Chair's Summary of the Third GEF Assembly, Cape Town, South Africa, August 29-30, 2006, and Co-Chairs' Highlights of Roundtable 3: Identifying National Priorities and Allocating Resources to Enhance Results at the Country level.
[21] Joint Summary of the Chairs, June 8, 2005, Annex A, from Switzerland.
[22] Joint Summary of the Chairs, June 8, 2005, Annex A, from constituency comprising Azerbaijan, Kazakhstan, Kyrgyz Republic, Switzerland, Tajikistan, Turkmenistan and Uzbekistan. The Council Member representing Austria, Belgium, Czech Republic, Hungary, Luxembourg, Slovak Republic, Slovenia and Turkey fully supported the statement.
[23] Joint Summary of the Chairs August 2005, Annex III, Statement from Germany
[24] Summary of the Co-Chairs, Meeting on the Third Replenishment of the GEF Trust Fund, Washington D.C., August 6-7, 2002.
[25] Joint Summary of the Chairs August 2005, Annex III, Statement from Germany
[26] Joint Summary of the Chairs August 2005, Annex IV, Statement by Council Member representing Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay.
[27] Joint summary of the Chairs
[28] COP, UNFCCC Bali, November 2007; and CBD Bonn, May 2008.
[29] Examples include IFAD's RIMS; UNDP's RBMS; and the ADB PPMS. From Monitoring: Overview of Approaches in the GEF Family, GEF EO, February 2006
[30] Results-based management in the United Nations in the context of the reform process, JIU/rep/2006/6.
[31] DP/2008/14, Information on TRAC-2 allocation and methodology and criteria for establishing fixed lines in the programming arrangements, 14 Dec 2007
[32] The *RAF document*: "No macroeconomic indicator is included in GPI; should the GEF Council wish to approve a policy permitting GEF financing for budgetary support […] a macroeconomic indicator will need to be included..".
[33] The UN Evaluation Group is currently concluding an Evaluability Assessment of eight "Delivering-as-one" pilots as part of an Evaluation of the Pilot Initiative for Delivering as One.
[34] Participating global programs include: The Cities Alliance, The Consultative Group on International Agricultural Research, The Fast Track Initiative for Education for All, The GAVI Alliance, The Global Environment Facility, The Global Fund to Fight AIDS, Malaria and Tuberculosis (convener).
[35] New York Times Article, *China's Shift on Food Was Key to Trade Impasse*, by Stephen Castle and Keith Bradsher, July 31, 2008
[36] GEF/C.24/ 8, *GEF Resource Allocation Framework*, October 26, 2004.
[37] *Scaling up: aid fragmentation, aid allocation and aid predictability,* Report of 2008 survey of aid allocation policies and indicative forward spending plans, OECD development assistance committee, Prepared by OECD development co-operation directorate, May 2008.
[38] CBD COP-9: Namibia on behalf of the African Group on: 4.16 Guidance to the financial mechanism of the Convention
[39] COP 9 Decision IX/31, May 2008
[40] UNEP/CBD/COP/9/INF/20, by Stratos, 7 February 2008
[41] Where? "Financing Development 2008: Whose Ownership?", OECD Development Centre, Chapter two: Ownership in the Multilateral Development-Finance Non-System, by Helmut Reisen, May 2008.
[42] The first projects or programs to be financed by the new funds should be known by the end of December 2008 as the CIF becomes operational.
[43] The GEF Instrument
[44] GEF/C.33/12, *Operational Policies and Guidance for the Use of Non-Grant Instruments,* March 26, 2008, paragraph 15.
[45] COP 9 Decision IX/14, May 2008
[46] Study of Local Benefits; GEF private sector study; Costa Rica Country Portfolio Evaluation, Joint evaluation of the activity cycle, 2004 APR, GEF EO.
[47] *Proposal of the Executive Director of UNEP on Enhancing the Impact of the Scientific and Technical Advisory Panel,* GEF/C.31/4
[48] GEF/C.30/9, *Roles and Comparative Advantages of the GEF Agencies,* December 2006.
[49] GEF/C.33/8, Review of Administrative Expenses Allocated to GEF Implementing Agencies, April 2008.
[50] CRP/R.3/CRP.3 "*Suggested U.S. language for performance-based allocations*", May 2002.
[51] Representatives from France, US, Bangladesh, Argentina, Cameroon, China, as well as STAP.
[52] Interim Report of the Technical Working Group September 2003: Performance Based Framework for Allocation of GEF Resources GEF/C.22/11 and Joint Summary of the Chairs
[53] Letter to Council, W.E. Schuerch, US Treasury, 16 October 2003.
[54] Performance Based Allocation Framework for GEF Resources GEF/C.23/7 and Joint Summary of the Chairs.
[55] Also called bands or quintiles. A quintile is one fifth or 20% of a given amount.

[56] A number of written comments from Council members had been submitted before the seminar, from Colombia (June 29, 2004); Colombia (June 30, 2004), Denmark, France, Germany, India, Netherlands, Pakistan. Before the Paris meeting, Canada and G-77 provided comments.

[57] *GEF Resource Allocation Framework,* August 5, 2004, Annex 7: Legal opinion of the GEF Legal Counsel

[58] CRP, *Additional issues for operationalizing the GEF resource allocation framework*, Paris Seminar September 27-28, 2004.

[59] Bolivia Council member letter, no date.

[60] Council Meeting, November 2004: GEF Resource Allocation Framework GEF/C.24/8 and Joint Summary of the Chairs

[61] Paragraph 37 of the Rules of Procedure for the GEF Council, stipulates that if motions are passed, voting can only take place at the *following* Council. Motions need a double majority to pass.

[62] Belgium, Bolivia, Canada , Colombia, India, Mexico, Spain, Switzerland, United Kingdom, United States, as well as UNFCCC and the NGO Network.

[63] GEF Consultations on Resource Allocation Framework March 2005 (Paris, France): Agenda, Discussion Note on the Resource Allocation Framework, Note on the GEF Council Consultations on the RAF, Non-paper towards a draft decision on RAF by interested parties

[64] The group behind Motion B produced a "non-paper" which reflected progress on the "trigger" issue, suggesting percentages of 48 in biodiversity and 62 in climate change to individual countries.

[65] Council Meeting, June 2005: Joint Summary of the Chairs, Agenda Item 13: Resource Allocation Framework GEF/C.25/8, Resource Allocation Framework Addendum GEF/C.25/8/Add.1.Rev.1, Resource Allocation Framework- Technical Notes and Clarifications GEF/C.25/Inf.10, Working draft of Council decision on RAF GEF/C.25/CRP.1, Secretariat Proposal on RAF GEF/C.25/CRP.5

[66] Joint Summary of the Chairs June 2-3 2005: annex, Comprising Azerbaijan, Kazakhstan, Kyrgyz Republic, Switzerland, Tajikistan, Turkmenistan and Uzbekistan; and supported by Austria, Belgium, Czech Republic, Hungary, Luxembourg, Slovak Republic, Slovenia and Turkey. The Council also noted the statement by the NGO network.

[67] Technical Note on the GEF Resource Allocation Framework GEF/C.26/2/Rev.1; Joint Summary of the Chairs. The full Council decision is contained in Annex I of the Joint Summary of the Chairs (dated 18 October 2005) of the Special Meeting of the Council, August 31-September 1, 2005.

[68] Statements expressing concern were made by the Council Member from Germany and from the Council Member representing Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay.

[69] GEF/C.26/2/Rev.1, *Technical Paper on the GEF Resource Allocation Framework,* 24 August 2005. Amendments were subsequently introduced as GEF/C.27/Inf.8/Rev.1, dated October 17, 2005) for the GEF Council meeting in November, 2005. This document describes the GEF Resource Allocation Framework as adopted by the Council.

[70] CRP, *Additional issues for operationalizing the GEF resource allocation framework*, Paris Seminar September 27-28, 2004.

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

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

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

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

[75] CEO letter 7 October 2006 to focal points.

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

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

[78] CEO email to Agencies 14 December 2006.

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

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

[81] Submission of an IoC constitutes formal notification that a donor will participate in the replenishment.

[82] Belgium, Nigeria and the United States.

[83] Equivalent to SDR 2.14 billion.

[84] USA and Belgium; not deposited: Italy, Nigeria and Pakistan.

[85] Instrument for the Establishment of the Restructured Global Environment Facility, 1994.

[86] GEF/C.24/8, November 2004, paragraph 14.

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

[88] Focal Point letter of 4 January 2008 to CEO.

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

[90] Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, San Marino.

[91] Equatorial Guinea, Serbia and Montenegro, Marshall Islands, Korea-south, Nauru, Cook Islands, Estonia, Angola, Bosnia and Herzegovina, Micronesia, Myanmar, Singapore, San Marino, Israel, United Arab Emirates, Cyprus, Kuwait, Qatar. In

biodiversity, only four eligible countries have not benefited from past GEF assistance (Libya, Myanmar, and Montenegro, East Timor).

[92] http://www.oecd.org/document/45/0,3343,en_2649_34447_2093101_1_1_1_1,00.html

[93] 43.51 climate change +25.77 M US$ biodiversity.

[94] Instrument for the Establishment of the Restructured Global Environment Facility, 1994, paragraph 7.

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

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

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

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

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

[100] However, Samoa has its GPI used for computing allocation in the biodiversity focal area. In the climate focal area Samoa is included in the group under the paragraph 26 of the RAF.

[101] Kiribati, Marshall Islands and Micronesia are included in the climate change group, and their GPI is not used for RAF allocation.

[102] Saudi Arabia, United Arab Emirates, Singapore, Israel, Kuwait, Qatar, Myanmar.

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

[104] The staff member has since left and the post has been announced in July 2008.

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

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

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

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

[109] UNEP/CBD/COP/9/INF/20.