



Third
GEF
Assembly
2006

Cape Town, South Africa

GEF/A.3/Inf.4
August 3, 2006

Third GEF Assembly
Cape Town, South Africa
August 29-30, 2006

DISCUSSION NOTE FOR HIGH LEVEL ROUNDTABLE ON
IDENTIFYING NATIONAL PRIORITIES AND ALLOCATING
RESOURCES TO ENHANCE RESULTS AT THE COUNTRY LEVEL

I. CONTEXT

1. The GEF was created in 1994 to contribute to the financing of country-based activities that produce global environmental benefits. This was in response to a growing recognition that actions that occur within individual countries collectively contribute to the degradation of the global environment and threaten global stability

2. Agenda 21 adopted at the Earth Summit in 1992, the global environment conventions, and the WSSD Plan of Action all recognize that no one nation can achieve sustainable development and a healthy global environment on its own. Protection of the global environment can only be achieved by states working together in global partnership.

3. The key to improving the health of the global environment is through on-the-ground activities that achieve solid results. Recipient countries must play a leading role in addressing global environmental issues, and assistance such as that provided through the GEF recognizes that this can best be achieved through a global partnership. Fundamental to a successful global partnership is the realization that the most successful projects and programs are those that are grounded in an underlying coherence between global strategies and national priorities. Projects that are country-driven and based on national priorities designed to support sustainable development while leading to global environment benefits are those that are the most likely to have the greatest impact and to lead to sustainable results.

4. Recipient countries need to promote a supportive and enabling environment in which their policies, institutions and systems support the effective development and implementation of GEF projects. Decision makers in recipient countries need to be empowered with the necessary tools and information if they are to be able to articulate national priorities in such a way as to fully integrate global environmental concerns into the development process. Capacity, knowledge and information are crucial to decision makers at all levels if they are to be able to ensure effective results on the ground from GEF financed projects.

5. Participants at this roundtable are invited to address the building blocks and tools that may help countries to achieve the maximum benefits at both the national and global level from GEF activities. The discussion may also usefully address the impact of the new GEF Resource Allocation Framework (RAF)¹ on the ability of countries to identify priorities and achieve results. Participants in the roundtable are encouraged to identify new ideas to enhance impacts at the country level and provide strategic guidance to the GEF as to how to work with recipient countries to contribute to a healthy global environment.

The Role of Countries in Programming GEF Resources

6. In order to maximize results, GEF projects should be carried out in an enabling environment of relevant policies and institutions that support the objectives of sustainable development and good environmental management. Without an enabling environment

¹ In September 2005, the Global Environment Facility (GEF) Council adopted the Resource Allocation Framework (RAF), a new system for allocating GEF resources to recipient countries to increase the impact of GEF funding on the global environment. Initial implementation is limited to biodiversity and climate change projects

underpinned by a set of policy and good practice guidance, project impacts will not be sustainable. Both donors and recipients are placing more emphasis on using GEF assistance more effectively, and that in turn, calls for effective institutions and policies.

7. Successful programming of GEF resources requires government commitment and strategic thinking. Country programming provides opportunities for countries to develop integrated responses to natural resource management challenges and to ensure integration of GEF financing into broader development strategies and programs. For example, multi-sectoral strategies and planning will enhance linkages between focal areas and help reinforce integration and mainstreaming. By incorporating GEF assistance into larger sustainable development efforts, countries will be able to optimize impacts. Therefore, countries need to be strategic in utilizing GEF resources and ensure that linkages are created to ongoing and future sustainable development activities.

8. GEF focal points play a critical role in ensuring this strategic fit at the national level by facilitating and promoting broad-based stakeholder consultations. Political focal points are responsible for GEF governance issues and policies while operational focal points are responsible for identification and implementation of projects and in-country program coordination. Focal points need to have the convening power to ensure that diverse ministries, convention focal points, NGOs, private sector and other interested stakeholders are actively engaged in dialogue and take ownership of the national priorities and GEF-financed projects.

9. The ability of focal points to undertake national priority-setting activities is constrained in many countries by the lack of in-country coordination mechanisms. Various tools and programs are now available to enable countries to conceptualize, develop and implement projects that will yield concrete results on the ground. In this regard, the GEF Country Support Program and National Dialogue provide resources to convene multi-stakeholder consultations and to establish coordination mechanisms which will enable ongoing consultations with the relevant and key government agencies. The GEF Country Support Program also provides resources to encourage increased communication and interaction among focal points through regular constituency meetings and will provide other opportunities through its knowledge management component, for information exchange and training as well as sharing of good practices.

10. Mainstreaming of environment into sustainable development planning can receive a critical boost by the involving bilateral donors in planning discussions in countries where they manage significant aid programs. Donors are committed to ensuring that bilaterally funded activities are consistent with national poverty reduction strategies. GEF financing should also take into account its fit with poverty reduction strategies and other sustainable development plans and strategies. Harmonization of bilateral and multilateral assistance will allow partner governments to more effectively implement strategies for poverty alleviation and development. Recipient countries are best placed to ensure consistency among bilateral and multilateral donor strategies in their countries, and their commitment to promoting harmonization is more likely to produce greater results than efforts brought about only through donor coordination.

Global environmental programs tend to be absent from in-country coordination and are criticized for poor outreach and for establishing parallel implementation arrangements. Removing impediments to integrating GEF funded projects in country programs especially through the creation of an enabling policy environment, will play a vital role in sustaining impacts.

Developing Capacity to Manage Global Environmental Challenges

11. The success of GEF projects and programs is directly affected by the policy framework and capacities of institutions at the sectoral level. Public sector policies and regulations, the ability of institutions to implement and enforce these policies and the extent of public participation and information play an important role in influencing the incentives and behavior of stakeholders.

12. Country programming will require building local capacity, creating partnerships, and developing clear country strategies and priorities. Following key decisions on the need for capacity building agreed by the conventions on biodiversity, climate change, land degradation, and POPs, the GEF Council approved the *Strategic Approach to Capacity Building*.² The OPS3 also highlighted the critical need for capacity development. Most recently, the need was articulated by donor organizations and recipient countries in the 2005 *Paris Declaration on Aid Effectiveness*.³

13. Developing capacity requires more than technical assistance and staff training in specific technology or methodology, which many GEF projects do include. What often is missing is support to structure and equip key institutions with systems necessary to develop and implement policy priorities. It is well recognized that even directed organizational change may not succeed if the wider “institutional framework” is not supportive.

14. The National Capacity Self Assessment (NCSA) is aimed at helping countries identify their capacity building needs to manage the global environment. Currently 150 developing countries are conducting their own needs assessments. NCSAs are flexible yet powerful tools used by countries to define their national priorities and identify how best to allocate resources for implementation of the major environmental conventions in a coordinated, cost-effective and sustainable manner. These assessments require countries to consult with a broad range of stakeholders – policy-makers, researchers, NGOs, the private sector and community leaders – and strategize to formulate responses. (See Annex 1 for examples of cross-cutting capacity building activities identified as a result of the NCSAs).

15. The countries that have completed their NCSAs are giving priority to a mixture of capacity support at three levels: (1) individual (strengthening national expertise in areas such as environmental economics, ecosystem management, and risk management), (3) institutional (integrating environmental management in sectoral ministries and institutions) and (2) systemic (the need to integrate systems for environmental management in order to achieve a better linkage among political, legal and institutional frameworks This will include strengthening of

² GEF/C.22/8, Strategic Approach to Capacity Development (November 2003).

³ See March 2005 Paris Declaration on Aid Effectiveness

mechanisms to initiate dialogue, seek consensus and integrate environmental considerations within sectoral policies and development plans).

16. Emerging NCSAs have shown the following priority needs : (a) support for mechanisms for collaborative management and coordination of key stakeholders, including national and local government agencies, private sector, public and local communities; (b); information systems, research, access and application, public policy frameworks, planning systems and legislation; (c) financial mechanisms, human resources and technology for environmental management; and (d) monitoring, evaluation and learning systems.

17. A well-developed and active civil society that is engaged with the government is an essential component for establishing accountability systems in a country and efforts to improve the capacity of civil society to contribute to global environmental management at the national level need to be supported more widely.

Incorporating Lessons Learned—A Knowledge Management System

18. Although there is significant and continuously evolving knowledge relating to global environmental issues, uncertainty is inherent in the context in which the GEF operates. As enunciated in Principle 15 of the Rio Declaration on Environment and Development, “lack of full scientific certainty shall not be used as a reason for postponing cost effective measures to prevent environmental degradation.”

19. The GEF operational strategy recognizes that, development of a diverse portfolio of projects should be pursued to reduce risks arising from uncertainty. Other means to reduce uncertainty includes working together to increase and improve environmental information to support decision making and action, and paying particular action to monitoring and evaluation on a programmatic level, including dissemination of information on the results of these efforts by all countries.

20. A diverse portfolio will:

- (a) Involve a range of approaches which address the need for ongoing innovation experimentation, demonstration, and replicability.
- (b) Finance programs and projects that address the underlying causes of global environmental degradation, such as economic policy, legal and social issues, institutional weaknesses, and information barriers.
- (c) Finance actions that are cost effective and catalyze complementary actions or have a multiplier effect.
- (d) Involve a range of project executors from the public, non-government and private sectors, and

- (e) Finance programs that advance the scientific and technical capacities in recipient countries to reduce global environmental threats.

21. The GEF was established to be a learning institution and it is expected that its diverse portfolio will serve as a model for innovative approaches to global environmental management. We need to learn from the experience of every GEF project more about what works and what does not work and to use that knowledge to strengthen the impact of GEF assistance.

22. Good knowledge management is essential to empowering countries and agencies to make effective policy and program decisions. Knowledge management can help the GEF stakeholders gain insight and understanding from their own and others experience. Acquiring, storing, and sharing knowledge gained from the development and implementation of global environment activities contributes to the capacity of all actors.

23. Collectively, GEF partner countries are sitting on a wealth of knowledge and will benefit from learning from the activities and experiences of others. The GEF has funded more than 1,800 projects in 140 countries. Ideally, sharing this experience systematically between and within countries could improve the quality of GEF's future work. In practice, the function of knowledge management is rarely assigned to a single authority in a country. The GEF operational focal points, together with country project managers, should play an active role in sharing lessons learned. Countries need to establish arrangements to enable them to fully benefit from GEF knowledge in designing and implementing future activities. GEF projects are meant to be innovative and experimental: they will yield the greatest benefits if their successes are replicated elsewhere.

24. Information and lessons learned from ongoing and completed GEF projects can be combined with the latest scientific and technological understanding of the global environment and with local and indigenous knowledge to support informed decision making at the country level.

25. The potential for synergy between the information gathered from project monitoring and knowledge management exists in terms of systematic collection of lessons learned. GEF's annual project monitoring will lead to a Result Management System, based on general indicators for each focal area and specific project indicators. The GEF Secretariat is expanding its Project Management Information System⁴ to include information on lessons learned, significantly improving countries' access to project related information.

26. Countries need better access to "best" practices in the GEF network to inform the design and endorsement of new project proposals. Lessons learned and best practices identified by the Evaluation Office as part of the project evaluations can be fed back into the project preparation process. GEF agencies can also contribute to articulating and disseminating best practices. It has been observed that it is difficult to find "perfect" projects but easier to find projects with specific

⁴ The new Project Management Information System (PMIS) is a database containing information on GEF projects that will be accessible to countries by mid-2007. The system will enable stakeholders to search for information and track the development of projects in the GEF portfolio.

aspects that are good. GEF Implementing and Executing agencies have many lessons learned and best practices related to project preparation and implementation, including experience with knowledge management which many countries will find beneficial. It is important to find ways to harness and share this information.

The Resource Allocation Framework

27. In September 2005, the GEF Council adopted the Resource Allocation Framework (RAF), a new system for allocating GEF resources to recipient countries based on their potential to generate global environmental benefits and the national capacity, policies, and practices for successfully implementing GEF projects. Initial RAF implementation is limited to biodiversity and climate change projects.

28. The policy recommendations of the third replenishment of the GEF Trust Fund requested the GEF Secretariat 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. The policy recommendations also stated that the resource allocation system should establish a framework for allocation to global environmental priorities and to countries based on performance. The Council endorsed the policy recommendation at its meeting in October 2002 and the RAF was adopted, after extensive discussions over the course of GEF-3, by the GEF Council at a Special Council Meeting in September 2005.

29. The RAF will improve predictability to countries regarding availability of resources, provide a framework for countries to program in accordance with national priorities, and enhance transparency by specifying a well-defined and publicly disclosed method for allocations of GEF resources.

30. Allocations made under the RAF are indicative resources that may be available to a country. They are not entitlements. Countries will need to work with GEF agencies to develop high quality projects proposals that are consistent with the GEF's strategic objectives as defined in the focal area strategies and approved in accordance with the GEF project cycle.

31. The GEF recognizes that to effectively implement the RAF and to ensure coherence between the global strategies of the GEF and its national priorities, recipient countries must have access to good knowledge about GEF strategies and procedures, the GEF portfolio, and other environmental and development activities in the country. Recently, the GEF completed a series of sub-regional consultations⁵ for all GEF recipient countries, the goal of which were to share information on the RAF and receive feedback from the countries.

32. Many participants expressed skepticism about their abilities to optimize the use of GEF resources. Countries fear the application of a new system will lead to a loss of momentum in

⁵ Eight subregional consultations were held: in Dakar, Senegal (West and Central Africa); Pretoria, South Africa (East and South Africa); Kuala Lumpur, Malaysia (East and Southeast Asia); Alexandria, Egypt (North Africa, Middle East, and South Asia); Bratislava (Eastern Europe); Panama City (Latin America); Bridgetown, Barbados (Caribbean); and Nadi, Fiji (Pacific Islands).

implementing the Rio conventions and expressed their apprehension about the significant increase in responsibility for the GEF focal points.

33. Some participants noted that the data, analysis, and approach used to determine a country's indicative allocation under the RAF are quite complex and that the source of data and information for these analyses might be biased against countries with weak capacity. Many small-island developing states raised concern that the RAF biodiversity index does not adequately reflect the marine diversity endowments that particularly affect them. Perceptions such as these contributed to the decision of the Conference of Parties of the Convention of Biological Diversity to call for a review of the GEF biodiversity index used in the RAF. The review will be provided to GEF following its consideration at the next Conference of the Parties.

34. Similarly, countries are interested in receiving guidance as to how to improve their performance and country allocation in the future so as to “graduate” from the group allocation to an individual allocation. Countries with lower allocations are concerned that the Implementing Agencies will no longer be interested in working with them when transaction costs might be high.

35. Outside governments, NGOs and members of civil society raised concerns that the RAF would serve to limit their access to GEF resources because focal points are expected to give priority to government agencies.

36. The challenge under the RAF is to ensure that countries feel empowered and prepared to take advantage of the benefits of the allocation system by developing and implementing global environmental projects in a more holistic and strategic manner so as to maximize the use of GEF resources. RAF, by bringing transparency and predictability to the resources available to a country, provides an opportunity for a country to program GEF resources within the broader context of the country’s sustainable development plans so as to produce concrete results at the country level.

II. QUESTIONS FOR ROUNDTABLE PARTICIPANTS

1. Which processes and instruments are most appropriate for aligning global projects to national priorities (e.g., national reporting to conventions, general in-country coordination forums, GEF national focal points)? What has been the experience in involving finance and planning departments in global environmental management?
2. What concrete and practical steps can ministers and other senior decision makers take to empower their administration to fully integrate global environmental issues into the countries development plans.
3. How is participation by key stakeholders, including the private sector and NGOs, encouraged at the national level? How can the role of those stakeholders be taken into account for programming resources within the RAF?
4. How valuable is strengthening capacity for addressing global environmental issues outside environment departments? What are the best tools for establishing accountability for decisions that affect the global environment and for monitoring the capacity of government departments in dealing with global environment issues (e.g., national reporting to the conventions, size and complexity of GEF portfolio, contributions to the convention negotiations and GEF Council, , state of its environment, NCSA)?
5. What systems exist for sharing knowledge and how can these systems be made more accessible so as to raise awareness of the experience gained through GEF projects?
6. What are the practical difficulties that countries face in establishing national-level partnerships and in developing strategies and priorities for GEF funding?
7. What is the potential of the Resource Allocation Framework (RAF) to stimulate a more coordinated approach to setting national priorities and strengthening the ability of GEF focal points in country programming

ANNEX 1

Examples of Capacity-Development Projects

Some of the medium-sized proposals (MSP) for capacity development, such as Nicaragua's, are targeted to strengthening the organization's compliance and enforcement mechanism for multilateral environmental agreements (MEAs). A \$500,000 MSP will include a review of its environmental laws, identify gaps, and draft supplementary legislation or substitutes for existing laws. The country would then provide environmental courses for local governments and municipalities to enable them to draft corresponding environmental norms and regulations.

Jordan proposes to strengthen its capacity to clarify national policy processes related to MEAs by streamlining the mandates of line ministries and strengthening the capacity of research organizations in policy-relevant tools, such as natural resource management, economic valuation, vulnerability assessment, international negotiations, and public communications. The timing of the proposal matches with a government program to reform its institutions, which is being supported by an EU grant.

The Philippines emphasized the achievement of national coordination by establishing a national technical coordination committee for MEAs that is mandated through a legislative process. Development of a work plan to involve the local government by designing an incentive system and supporting it through tools such as common format for data collection and reporting, zoning guidance, monitoring, indicators, and legislation are part of the project.

Ghana also aimed for improving national coordination by establishing a national convention coordinating authority that will be responsible for revising institutional mandates. This authority, also backed by a law, will be responsible for undertaking common functions such as reporting to the conventions, managing knowledge, strengthening participatory approaches, and mobilizing investments that provide global environmental benefits.

Romania focused on strengthening its capacity to mainstream multilateral environmental conventions into the plans of local and national agencies. It will achieve this by elaborating and modifying appropriate laws; defining the role of various agencies, committees, and departments; developing fiscal incentives; and making available the tools necessary for carrying out the work, including training of local officials.