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Subject: GEF RAF comments

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Please respond to
Jozef.Buys

Dear CEO and Chairman of the GEF,

In attachment you will find some comments on the RAF.

The negotiations of UN Resolutions related to sustainable development issues, among them desertification and climate change (with several references to the GEF), have prevented me from finalising and sending them earlier. By the time I was done, the latest version of the RAF document was on your website and I am happy to note that there are several elements where we coincide. However, I didn't modify my text in the light of the new document, because I want it to be available to colleagues as soon as possible (I suppose it will be put on the website).

Let me congratulate, through you, the team that has produced document C.24/8 for another outstanding job, providing additional information, reflecting well the different positions, and presenting the range of options that the Council has been asking for.

Bets regards,

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GEF RAF.rtf

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COMMENTS ON THE GEF RESOURCE ALLOCATION FRAMEWORK

Introduction

The comments below may be coming a little late in the process leading up to the discussion on the RAF at the next Council Meeting, but I hope that they still may induce reflection on this important matter. If not incorporated into the latest version of the RAF document, I will make them from the floor. Indeed, it is my strong belief that we need a sort of a fresh start, in order to get everyone on board, because I fear that we are dangerously close to imposing a RAF system to the members of an institution that has been created to assist in worldwide sustainable development. This noble and unavoidable task will not be fulfilled if the first interested stakeholders, i.e. the recipient countries, do not identify themselves fully with the proceedings of the GEF.

Therefore, what follows is a humble intent to clarify some of the already identified problems, mention some additional ones not directly linked to the RAF (but important for the development of the institution) and suggest a way forward, with a view to build confidence in the system, through providing better information to the Council for its decision-making task.

Facing the problems

The Council needs to know how the GEF is working with regard to its responsibilities as an institution in general, to its obligations towards the Conventions for which it is the Financial Mechanism and to its activities that serve other focal areas. There is a whole set of documents that explains the institutional structure, the overall policies, the principles, the strategic priorities, the operational programmes and the modalities of implementation on the one hand, and, on the other hand, there are the projects in the field that are finished, in execution or in preparation. It is however less clear how both aspects are articulated, i.e. how projects make it into the Council's Work Programme four times a year. In other words, how are projects selected and, as a consequence, funds allocated? In this regard, it would be very interesting to know how many original concept notes make it through the whole cycle and become GEF projects, as well as where the unsuccessful ones get stuck and why.

On the most general level we know the allocations, starting with the indicative amounts assigned to Focal Areas in the replenishment process and, from thereon, through the reporting of the Secretariat and the monitoring and evaluation exercises. During the replenishment period it is fairly easy to follow how the Focal Area allocations develop, but it takes more work to find out how they develop at the country level and how country allocations compare at the Focal Area level. There is also a challenge with the situation among Focal Areas, with some developing faster than others, e.g. land degradation. Why

is this happening and can we expect the same for the POPs Focal Area in the future? What about the other Focal Areas? Do we need to develop a better control? If yes, how and at what level? These questions bring us back to the how of the project selection and allocations. The fact is that we don't really know how it works. We can ask the Secretariat, the IAs/EAs, the recipient countries and get particular and partial answers but that's where it ends.

Is the current allocation system therefore bad? Judging from the many good projects, the money being spent and the demand outnumbering the offer, I would say no. In this regard it was illuminating to see that the RAF simulations closely mirror the historic allocations.

However, the recipient countries do express critique in the Conferences of Parties, not about the allocation system itself, but rather about the administrative difficulties to access GEF funds and about the time it takes to have projects approved and implemented in the field. In response to that, the GEF is continuously trying to improve its outreach to recipients, as well as its project cycle, now, before this Council Meeting, with a proposal for smaller Medium-Sized Projects. My guess is that, despite all the improvements, we should start looking more closely to the projects with delays, the reasons, the lessons we can learn from it, and maybe have the M&E Unit study the issue and develop a procedure. I mention this new "problem" for the simple reason that it is pretty clear to me that the allocations are only one aspect of the system to reach the objectives of the GEF. No matter how sophisticated a system we may ultimately end up with, as long as the implementation on the ground doesn't improve, we won't gain a lot from it. The global environment will gain from good projects that are producing results as fast as possible, not from the way the funds for those projects are being allocated.

That said, we should definitely work to understand the current allocation system better and improve it in a way that flags a small number of problems at the time, resolves them and then moves on. Since the GEF does good work, we don't need to repair what's not broken, by suddenly introducing a complete overhaul, but we can always upgrade the system.

Allocation and the current system

Allocation means assigning something to something: time, personnel, money. To the best of my knowledge there is no chronological connotation to the term. That's why, in the course of the debate, the "ex ante" showed up to suggest a specific kind of allocation, i.e. predetermined. In the current system it would seem that we are employing an "ad hoc" allocation. In the words of our CEO, projects "bubble up" and are then checked on their consistency with the Instrument and GEF policies and procedures, and get their funds allocated, pending approval by the Council through consideration of the Work Programme. In a way it's a first come, first served situation.

The reality is, of course, much more complex and the Council sits at the end of a long process. We all know the project cycle and there is no need to go through it at great

length. However, there are certain important points in that cycle that we may not have considered enough or don't understand enough to really assess the current allocation system, and dwelling upon them may help us to improve.

Since projects are supposed to be country-driven, they all start with a concept note about a perceived need for assistance, which is then taken to an IA/EA for further elaboration. Further elaboration by the IA/EA will be subject to the concept being sanctioned by the national authorities and being in accordance with the broader development framework of the IA/EA with the country (Common Country Assessment, UN Development Assistance Framework or Country Assistance Strategy). As the names of these instruments indicate, many elements of country policies, capacity and performance have already been taken into account when establishing them. The IA/EA then checks the proposal against those elements and may develop it into a project of its own or into a GEF project with own input. If required the development of the GEF project itself may be supported by GEF money (PDFs). In the process, objectives and operations are refined and defined, stakeholders identified, incremental costs calculated, co-financing identified, etc., which all make up the components that get integrated into the final project proposal. This proposal is then assessed by the GEF Secretariat. At some point along this path the project enters the GEF pipeline, although it is not very clear what that exactly means (a purely chronological concept, a degree of proposal development, an approvable project on a waiting list to enter the Work Programme?).

The point here is that the proposals that the Council receives have already been screened on a series of aspects that may well be the same as or close to several indicators that are being proposed in the RAF documents before us. Assessments of performance, even on global environmental benefit potential, I would guess, are definitely present in the current system, only, the Council doesn't see them. Making them explicit would be an important step.

A second point of importance is the overall picture of GEF assistance to countries in the several focal areas, because it is directly relevant for the issue of equitable access. The Council is not aware of what support a particular country has already received for the different Focal Areas, nor if it is in real need for support according to the guidance of the Conventions or its global environmental potential in any particular Focal Area, and how the support already given compares to the Focal Area GEF-wide. The Council doesn't know either if a particular proposal falls within a reasonable GEF grant size and, if it doesn't, what the justification for it is. Here again, relative little work could provide a lot of information.

Some suggestions

The GEF Secretariat should continue developing the global environmental benefits exercise, by extending the biodiversity part to other than terrestrial biodiversity and by looking into other indicators for climate change. For the latter, the suggestion of the UNFCCC to consider the carbon intensity of electricity production seems interesting. But the GEF is more than two focal areas and serious thought must be given to develop global environmental benefit indicators for the other Focal Areas as well. It is hard to imagine how an objective allocation system can be worked out and can be acceptable on the basis of only a fraction of the GEF mandate!

A system-wide database of funds already allocated could be established and regularly updated. It would list all countries, and, for each country, it would indicate all the funds already allocated in each Focal Area, with the cumulative portfolio size per Focal Area, alongside the median portfolio size of that Focal Area. At the time of presenting a new proposal to the Council, the relevant portion of that database should be reproduced, alongside with the proposed GEF grant, which should be compared to the median grant size for the Focal Area and the number of countries that have benefited from a grant in that Focal Area. Both elements could take the form of a standard annex to the project document and provide the Council with a snap shot of the allocation situation of the country in relation to the new proposal and the situation of the Focal Area in general. Also, this can be applied to each and every Focal Area.

In order to monitor and evaluate progress and success, a more detailed database could be linked to the first, which would categorize the Focal Area per country, in types of activities already funded (EAs, MSPs, FPs, SGP, PDFs), alongside an assessment of performance (e.g. implementation delays, rate of success). This would provide indications on where problems exist and are more likely to arise in the future, as well as on the country's performance in the global environment sector. It would also help understanding and solve the problems that are often perceived by recipient countries in other fora.

Where applicable this annex should also contain the global environmental benefit rating of the country, compared to the median for the Focal Area, which, in combination with the above, would provide additional elements for the decision-making of the Council.

The IAs/EAs should explain the performance indicators that they are already using at the country level, as well as their rating system. Since the indicators that we have seen so far are either undisclosed or not applicable to many of the GEF countries, they are not of much use. It will therefore be all the more interesting to understand the qualitative assessments that now seem to be the rule. Together with the GEF Secretariat, a thorough analysis should be made, with a view to develop a harmonized set that is useful for the whole system. Pending the elaboration of a rating system based on those performance indicators, the standard annex should then include the rate for the country, again alongside the median of all countries.

Conclusion

The Council will still sit at the end of a long process and have before it project proposals as usual. However, each new proposal will show the context of the specific country and the Focal Area context from which it has been generated. Where applicable, there will also be an indication of the global environmental benefit that country can provide in comparison to others and, given the time to develop and harmonize, there will also be an estimate of performance expectation. This would be a powerful decision-making tool, while still allowing for the flexibility that may be required, at any time, by changing priorities and continuous guidance from the Conventions.

Granting time for developing the system and accumulating experience, the Council will be able to expand and fine-tune it, in order to turn it into a GEF-wide allocation system that can have the objectivity and flexibility that an institution like the GEF, by its very mandate, needs.

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