

## Speaking Points

### Performance-Based Allocation Framework for GEF Resources

1. I thank the Secretariat for the work undertaken since we last discussed the issue.
2. Council decided in November 2003 that the new allocation system should be “simple, transparent, pragmatic, cost-effective, comprehensive and country-driven” and that it should “provide recipient countries with an equal opportunity to access GEF resources”. Does the proposed approach with its two alternatives meet this objective? I will examine some of these parameters.
3. Relating to “equal opportunity to access GEF resources”, I would like to raise the fundamental question regarding incentives and support to improving the performance of recipient countries. The proposed approach does not address the question of how the system should allow for allocations of resources to improve the capacity, and thereby the performance, of so-called low performers. Without this element it seems to me that we are missing the whole point of the exercise.
4. The proposed system can hardly be characterized as “simple”. Rather, the proposed approach attempts to establish scores and ratings on the basis of a complex set of data and indicators. Some of the indicators are not available at all, others are not publicly disclosed and probably costly to construct. Here, it would have been useful for the Secretariat to inform us of the resource requirements in the event the Council asks it to develop its own sector level indicator by constructing a new Country Environment Policy and Institutional Assessment index (CEPIA), rather than relying on the World Bank’s work with its limitations to public disclosure.
5. It also seems that transparency has a price if we decide not to rely on the non-public indicators of the World Bank.
6. To illustrate the pragmatism of the approach I would like to present you with a simple calculation:

The proposed PBFA focuses on biodiversity and climate change that is only two of the six GEF focal areas. It thus covers approximately 70% of GEF resources. If we deduct the approximately 10% of resources allocated to regional and global projects, we are left with about 60% of GEF resources under the PBFA. About 20% of GEF resources are allocated to capacity-building purposes. If we from the original 70% deduct a share of 10% allocated to capacity-building within biodiversity and climate change, we are left with approximately 50% of GEF resources under the PBFA system. This would correspond to USD 750 million over the

full GEF 3 period, available to be allocated through the new system to biodiversity and climate change respectively. On an annual basis, this would correspond to USD 187.5 million to each of the two areas.

If we consider 140 potential recipient countries, the average amount that can be allocated through PBFA to each country per year is USD 1.34 million for projects in each of the two focal areas. If we consider an average project value of USD 5.3 million for full-scale projects, which is the mean value for all GEF-projects so far, the implication is that each country would have to wait for 4 years on average to become eligible for funding of an average-size full-scale project.

I leave it to you to imagine what this means for the smaller and the weaker countries. It seems however doubtful to me that a system, which appears to be suitable primarily for allocations to a smaller amount of larger countries, can be characterized “pragmatic”. It certainly is doubtful that a system like this grants “equal access” to GEF resources.

7. To determine if the proposed PBFA is “cost-effective”, in spite of the shortcomings, which I have just described, I would like to ask the Secretariat to inform us about the cost incurred to develop the system and those associated with administering it. Also, it would be useful to know how these costs compare with benefits obtained in terms of resource allocation effectiveness.

To this question belongs also the question of the system’s reliability. The paper in front of us indicates that data, to the extent they are available, are not always reliable. If this is so, we are running the risk of constructing a system to administer about one half of the GEF’s resources which seems only to make sense to a smaller group of countries and which is suggesting an allocation of resources based on uncertain indicators and data.

If a choice were to be made between the two alternative models proposed in the paper, it seems to me that the alternative model, based on country groups – or perhaps a combination with a few larger countries being treated individually- has fewer disadvantages. Among those are:

- Fewer negative implications as a result of lacking or unreliable data,
- Incentive to improve performance and quality of projects, and
- Easier way to solve issues of reallocation of unspent funds.

In any case, simulations on some country examples are necessary to assess the appropriateness and implications of a PBFA system. We are facing an import decision. It is most likely costly and will have wide ranging implications for the future work of GEF and the recipient countries.

8. For a system to be “comprehensive” it would have to allow for resource allocations within all of GEF’s focal areas. Is this feasible on the basis of the proposed approach?

9. Some technical views on the questions raised regarding indicators and weights:

**a.) Relative weight of Environment or Performance indicators.**

This relates to the potential of "getting bang for bucks". If environmental priorities S1 are more important than country performance S2 in this aspect, this should be reflected here. In my opinion greater weight must be assigned to "global environmental priorities" (S1) vis-a-vis "Country Performance" (S2). GEF's goal and priorities are to facilitate global environmental benefits. Not to improve the performance of individual countries. Of course we have to look at country performance but only as a means to an end – that is to global environmental benefits!

**b.) Relative weight of Performance ratings**

It is not clearly built into the formulas, how countries can influence their own situation directly. One of the issues here is how often the indicators are revised. Of the indicators introduced I find the CEPIA measuring policies and institutions for environmental sustainability the most relevant to GEF-purposes. It reflects a number of evaluations of government performance in areas highly relevant to a successful performance and which is in the hands of governments to change:

- existence of supporting policies
- capacity to implement and enforce policies
- public participation and public information in many relevant areas
- government's ability to perform environmental assessments, setting priorities and coordinate across sectors

However neither the score nor its components can apparently be made publicly available nor does it – at present – address climate change. As mentioned above a performance based system where recipient countries have little or no influence on the performance indicators will be meaningless. This is why more emphasis should be put on indicators under direct control of recipient governments in order to create performance related behaviour change. If the indicators for CEPIA does not exist or cannot be exposed transparently (i.e. in the form of CPIA) and it is too cumbersome to develop separately by GEF, the performance element of the system should be abandoned.

Having said that and assuming that these problems can be solved in satisfactory manner I am inclined to assign a relatively higher weight to P2 – CEIPA as it reflects better the goals and priorities of GEF.

**c.) Global environmental potential for biodiversity**

In relation to the discussion regarding weights between B1, B2 ...B5 there should be a clearer distinction between what is quantitative area based weights (B1...B4) and what is qualitative based indicators (B5). It is here worthwhile mentioning that qualitative indicators could be just as important as quantitative.

Species richness (B5) is not always the most important qualitative biodiversity indicator because the species can have a wide distribution and there not be so interesting to protect. In addition species endemism (new weight B6) could be relevant to include as a qualitative indicator

because it gives an idea of the uniqueness of the ecosystem/habitat as it would reflect species that are found only in one particular location. The argument is that it could be much more relevant to protect carefully selected smaller habitats with high endemism than huge uniform areas as seen in the past for instance in Africa.

As mentioned by Mr. Sedan, the current indicators are all about protection and I would like to ask how we cover the two other objectives of the Convention – “sustainable use” and “benefit sharing” (this can probably best be done by evaluation of the policies in place to promote these two objectives).

With regard to the relative weights to be assigned I have no firm opinion and perhaps we are best served by the advice of the Secretariat: That is to assign equal weights to all indicators in view of the wide ranging differences of opinion in the biodiversity conversation community.

#### **d.) Climate Change Benefits (CGEPCC)**

I can not agree with the indicator suggested. To use total GHG emissions as the indicator of a country's potential to deliver global climate benefits does not make sense. In that case we could just as well allocate all funds to one of the big industrialised countries with the largest emissions! The mandate of GEF is to stimulate and facilitate change. Not to actually solve the Climate problem. That would require funds in quite a different volume. To me it is more relevant with indicators of a given country's willingness and efforts to change current emission-patterns. For instance policies for use of sustainable energy technology; programmes for that purpose; and funds and resources allocated for the purpose of bringing about such change.

#### **e.) Other aspects**

The present document still doesn't deal with the issue of over/under representation of certain type of ecosystems/ technologies / project types within each GEF strategic priority. For instance according to IUCN protected areas covers 11.6 percent of the earth global surface whereas only 0,6 percent of the marine surface area is protected against a target of protecting 10 percent of all types of ecosystems.

Supportive of the suggested seminar.