GEF PERFORMANCE INDEX

Background and Context

1. The GEF Performance Index (GPI) provides a relative ranking of each country's capacity to deliver potential global environmental benefits based on its current and past performance. The success of GEF projects and programs is directly affected by the policy framework and the capacities of institutions. 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. They also affect the smooth functioning of markets, and the adoption and development of technologies. The successes of GEF projects and programs are also often most directly affected by the enthusiasm, capacity and dedication of the local community and project stakeholders and are reflected in the performance of existing project in the country.

GEF Performance Index (GPI)

2. The GEF Performance Index (GPI) is the simple weighted average of the following three indicators after they have been uniformly scaled: (i) a project portfolio performance indicator (PPI) developed by equally weighting the average ratings of GEF projects contained in the Project Implementation Reviews and the average ratings of World Bank environment related projects contained in the Project Completion Report of the World Bank OED; (ii) a country environmental policy and institutional assessment indicator (CEPIA), developed from a component of the World Bank's CPIA; and (iii) a broad framework indicator (BFI) developed from the World Bank's CPIA.[1] A detailed discussion of the contents of each of these indicators is contained in the next section. The discussion of the broad framework includes the sensitivity of the GPI to changes in its content.

3. The weights used in the GPI reflect both the relative importance and the accuracy and robustness of each underlying indicator. The GEF Performance Ratings is not sensitive to small changes in the weights P_1, P_2, and P_3.

$$\mathbf{GPI = P_1 \times PPI + P_2 \times CEPIA + P_3 \times BFI}$$

$$\mathbf{Where,\ P_1 = 0.1;\ P_2 = 0.7;\ P_3 = 0.2}$$

4. If any of the performance indicators above are not available for a country, the GPI will be computed as follows:

(a) If either the BFI or CEPIA indicator is available, the GPI is based only on the available indicators and is computed by proportionately increasing their weights;

[1] All 3 indicators are scaled to a range between 1 and 5. Rescaling each indicator to this uniform scale makes it easier to interpret the relative impact of the specific weights. Similar changes in equally weighted indicators will impact the GPI equally. For instance, a change from 2 to 3 in either the Portfolio or Broad Framework indicator will result in an increase in the GPI of 0.2.

(b) If only the PPI is available, the rural sector indicator used in the IFAD PBA[2] system will be used, when available, as a substitute for the BFI and CEPIA indicators;

(c) If only the PPI is available and the substitute IFAD indicator is not available, or if none of the performance indicators are available, the GPI is not computed. Instead, the country is included in the group, pending a determination of the performance indicators.

5. The distribution of the GEF Performance Index is shown in **Table 3.1.** Of the rated countries, the GPI lies between 2.5 and 3.5 for about two thirds of the countries. The remaining third of the countries are split between the high end (greater than 3.5) and low end (less than 2.5) of the Country Performance Rating scale with slightly more countries at the low end.

Table 3.1: Distribution of GEF Performance Index

GEF Performance Index Range	No of Countries
Less than 2	3
2.0 – 2.5	22
2.5 – 3.0	53
3.0 – 3.5	40
3.5 – 4.0	14
Greater than 4.0	5
Unrated Countries	23

Project Portfolio Indicator (PPI)

6. The project portfolio indicator used in computing GPI is developed by equally weighting the average ratings of GEF projects contained in the Project Implementation Reviews, and the average of World Bank Operations Evaluation Department (WBOED) ratings of the implementation completion reports of World Bank environment-related projects. If either of the ratings is not available, the PPI is based on the remaining portfolio indicator.

7. The average ratings of GEF projects contained in the Project Implementation Reviews are based on the development objectives (DO) and implementation progress (IP) ratings for all projects under implementation in a country's portfolio since 1999. Projects are rated separately for DO and IP in one of four categories – highly satisfactory, satisfactory, partially satisfactory and unsatisfactory by project managers at the implementing and executing agencies. The categorical ratings are converted to a numerical score ranging from 1 to 4, with 4 corresponding to *highly satisfactory*, 3 to *satisfactory*, 2 to *partially satisfactory* and 1 to *unsatisfactory*. There has been no effort to standardize these PIR ratings across agencies to date.[3] A simple average of the available individual project ratings in each country is used.

[2] The IFAD Rural Development Sector Framework indicator is developed by the International Fund for Agriculture Development (IFAD) for use in its Performance Based Allocation System. See Box 3.2 for details.
[3] This indicator is neither comprehensiveness nor robust. It is only available for 92 counties. The large potential influence of a few non-representative PIR ratings reduces its robustness for countries with limited PIR data.

8. The average ratings of World Bank environment-related projects are based on the World Bank OED ratings of the implementation completion reports of all such projects completed during the last 10 years. Projects are rated relative to their objectives in one of six categories – highly successful, partially successful, marginally successful, marginally unsuccessful, partially successful, and highly unsuccessful. The categorical ratings are converted to a numerical score ranging from 1 to 6, with 6 corresponding to *highly successful*, 5 to *partially successful*, 4 to *marginally successful*, 3 to *marginally unsuccessful*, 2 to *partially unsuccessful*, and 1 to *highly unsuccessful*.[4] A simple average of the available individual project ratings in each country is used.

Country Environment Policy Institution Assessment Indicator (CEPIA)

9. The sectoral policy and institutions indicator used in computing the GPI is based on the "Policies and Institutions for Environmental Sustainability" indicator of the World Bank's CPIA.[5] This indicator provides a systematic and comprehensive assessment of environment related policies and institutional frameworks within each country. It is developed by the World Bank for its client countries through separate evaluations of (i) the existence of supportive policies; and (ii) the capacity to implement and enforce policies; in each of the following six areas – air pollution, water pollution, solid and hazardous waste, ecosystem conservation and biodiversity protection, marine and coastal resources, freshwater resources and commercial natural resources. It also separately assesses the ability of countries to perform environmental assessments, set priorities, and coordinate across sectors and the extent to which public participation is facilitated through for instance the provision of public information. The public disclosure of this indicator and the GPI developed from it are subject to the disclosure policies of the World Bank as discussed in paragraphs 28-29 in the main text.

Broad Framework Indicator (BFI)

10. The broad framework indicator used in computing GPI is based on the average rating for the five indicators in the "Public Sector Management and Institutions" cluster of the World Bank CPIA. This cluster consists of the following 5 indicators:

(a) Property Rights and Rule-based Governance:

(b) Quality of Budgetary and Financial Management;

(c) Efficiency of Revenue Mobilization;

(d) Quality of Public Administration: and

(e) Transparency, Accountability and Corruption in the Public Sector.

11. A complete list of the available CPIA indicators from the World Bank is shown in Box 3.1. There is a high degree of correlation between the different CPIA indicators under the

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[4] This indicator is more comprehensive and robust than the indicator based on GEF PIR reports. It is available for 113 counties most of which have a sufficient number of projects that reduces the undue influence of non-representative projects.

[5] A complete list of the available CPIA indicators from the World Bank is shown in Box 3.1.

"Public Sector Management and Institutions" cluster. For instance, the correlation between CPIA indicator # 15, "Quality of Public Administration" and the average of the "Public Sector Management and Institutions" cluster is 0.91.   As a result the substitution of a single indicator such as CPIA indicator #15, "Quality of Public Administration" for the average "Public Sector Management and Institutions" cluster rating does not make a significant difference in the GPI. Specifically, in this case, the GPI changes by more than 0.1 for only 9 of the 137 counties. Sensitivity analysis shows that similar results hold when other subsets of the "Public Sector Management and Institutions" cluster are used to measure the BFI.

Box 3.1 World Bank Country Policy and Institutional Assessment (CPIA) Indicators

The World Bank annually conducts a benchmarked country policies and institutions assessment of each of its client countries. These assessments are based on 16 indicators under the following four clusters: economic management, structural policies, social inclusion/equity and the public sector. These assessments are an important component of the performance-based allocation system of the International Development Association. The World Bank has decided that it will provide full disclosure of the CPIA assessments for all IDA countries by the beginning of 2006.

The 16 indicators in the four clusters are:

<u>Economic Management</u>

1. Macroeconomic Management
2. Fiscal Policy
3. Debt Policy

<u>Structural Policies</u>

4. Trade
5. Financial Sector
6. Business Regulatory Environment

<u>Policies for Social Inclusion/Equity</u>

7. Gender Equality
8. Equity of Public Resource Use
9. Building Human Resources
10. Social Protection and Labor
11. Policies and Institutions for Environmental Sustainability

<u>Public Sector Management and Institutions</u>

12. Property Rights and Rule-based Governance
13. Quality of Budgetary and Financial Management
14. Efficiency of Revenue Mobilization
15. Quality of Public Administration
16. Transparency, Accountability, and Corruption in the Public Sector

Box 3.2 IFAD Rural Sector Assessment Indicators

The International Fund for Agricultural Development (IFAD) annually conducts a Sectoral Policy and Institutional Assessment of the rural development sector for each of its client countries for use in its Performance Based Allocation System. These assessments are based on 12 indicators under the following 5 clusters: strengthening the capacity of the rural poor and their organizations, improving equitable access to productive natural resources and technology, increasing access to financial services and markets, gender issues, and public resources management and accountability. The assessments for all countries are publicly disclosed.

The 12 indicators in the five clusters are:

A. Strengthening the capacity of the rural poor and their organizations
   - (i) Policy and legal Framework for rural organizations
   - (ii) Dialogue between government and rural organizations

B. Improving equitable access to productive natural resources and technology,
   - (i) Improving access to land
   - (ii) Access to water for agriculture
   - (iii) Access to agricultural research and extension services

C. Increasing access to financial services and markets,
   - (i) Enabling conditions for rural financial services development
   - (ii) Investment climate for rural business
   - (iii) Access to agricultural input and produce markets

D. Gender issues
   - (i) Access top education in rural areas
   - (ii) Representation

E. Public resources management and accountability
   - (i) Allocation and management of public resources for rural development
   - (ii) Accountability, transparency and corruption in rural areas