


**Leonard Good**  
06/05/2004 03:13 PM  
33202 GEF

Subject: Green please to Ramesh  
(PBA) 

Aftab Ahmed Qureshi

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06/02/2004 12:57 PM  
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To: Leonard Good  
cc: Tanwir Ali Agha, Soraya  
Mellali, Sultan N. Lutfi,  
Nada Mufarrij  
Subject: GEF PBA Framework

Dear Mr. Good

I send the attached comments on the proposed PBAS on behalf  
of Council Member Mr. Tanwir Ali Agha.

Regards.  
Aftab



GEF.PBA.Written.Statement.d

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To: John I. Clyde

Written Comments of Tanwir Ali Agha  
Member, GEF Council

### **GEF: PERFORMANCE BASED ALLOCATION (PBA) FRAMEWORK**

The principle of seeking enhancement in the efficacious use and the impact of GEF resources is unexceptionable. This principle is in every body's interest and we support it. However, at the outset, I would like to re-emphasize that GEF is a financing mechanism for the Conventions, which is both its mandate and obligation. GEF cannot have a PBA system that impedes delivery of assistance that it is mandated to deliver.

The proposal put up for discussion in the May 2004 Council meeting seem to foresee a country rating system pretty much on the lines of IDA PBA, taking into account the country performance on environmental policy, portfolio performance, governance and the potential to contribute to solving problems with global/regional dimensions. Such a rating system would rely on country performance data that will not only take a long time to develop but will also encompass areas that are unrelated to GEF's mandate.

I would, therefore, urge that the GEF PBA should not mimic the PBA systems of MDBs. These systems have been designed to evaluate the enabling framework for the relatively large and repetitive projects and reform programs that have a much larger canvas and aim at much more country specific outcomes. Unlike other institutions, GEF is a step removed from its client countries and relies on implementing agencies to prepare, recommend, help implement, report on, and account for GEF projects. For these reasons, it is neither desirable nor practical to replicate the PBA systems existing in other institutions such as IDA.

Having said this, GEF must deliver on the commitment made under the Third Replenishment to come up with a PBA system of its own. That commitment foresaw a PBA at two levels: first to guide allocation of GEF resources among its focal areas, and then to allocate the envelope of each focal area to countries based on their performance. I note that the system that was put forward for discussion in the Council meetings of May 2004 omitted the first level allocation. The PBA system that is finally adopted by GEF will need to overcome this shortcoming. Moreover, I believe the GEF's PBA system should take into account its unique mandate and constraints. GEF can induce sustainable improvements through a policy of dialogue and partnership, not by being prescriptive and judgmental.

With these key considerations in mind, we would like the allocation framework to be crafted within the principles discussed by the Council at its May 2003 meeting. One of those principles requires that the system should be simple. However, the system that was put up for discussion at the May 2004 Council meeting appears anything but simple. For one thing, I doubt very much whether country governance ratings will add to PBA quality. These may in fact divert attention from the more critical global environmental issues. I am not in favor of following every aspect of the IDA PBA.

Secondly, I am concerned that assessments on country environment policy and institutions may involve subjective judgments. I would urge the Working Group to come up with CEPIA indicators that rely more on facts than judgment. Moreover, I believe that before adopting a PBA framework, it is essential that GEF engages in meaningful country consultations, not just to inform them of how their performance will be assessed but to build real country ownership. Let GEF not repeat the mistakes made elsewhere.

Third, I see a number of other difficulties with the proposed PBA system, in that there is a real risk that we end up penalizing countries that need GEF support but lack capacity to launch the GEF program. Let's be careful that we don't select exclusionist criteria.

Fourth, I note the absence of need and urgency of country requirements from the PBA equation presented. This is inconsistent with the general configuration of performance based allocations used by other IFIs where needs, capacity and performance are considered in allocation. We also need to bear in mind that other PBA systems center around the major objectives of respective institutions. So should GEF's.

Fifth, the proposed PBA framework takes into account the assessment of country potential to contribute to global environment protection on account of only two of GEF's six focal areas. The brief explanation of the reason to exclude the other four areas is not convincing.

Sixth, in general, we support the idea to consider the work being done in other organizations on environment specific governance and see how useful this may be in developing our own. However, I don't think independent work needs to be done on good governance. So much work has already been done on governance, it would be a waste of resources to reinvent the wheel. In any case, we need to ensure that political considerations do not creep into governance criteria.

Finally, I don't find enough in the Paper on how the GEF PBA system is to be implemented between the IAs and GEF itself. I would ask the Working Group to address the implementation aspects in detail.

Nevertheless, the initial proposals put up by GEF Secretariat for discussion in the Council meeting of May 2004 do provide a useful start. Going forward, I would like to make some specific suggestions. First, as a matter of priority, the Secretariat needs to consult with the Conference of Parties (COP) and the Secretariat of Conventions on the PBA. This consultation is also mandatory in terms of the GEF instrument and I refer to paras 9 and 26 of the instrument which clearly requires GEF's eligibility criteria to be consistent with the guidelines and eligibility criteria laid down by the COP. In fact, I think it would be useful for the Council to consider their detailed comments and suggestions for a better informed discussion at the September 2004 Seminar.

Second, the PBA should provide enough flexibility for handling environmental emergencies in countries with low allocation scores, where delayed engagement by GEF could contribute to irreversible environmental damage. MDBs can sometimes afford to wait for improvements in the enabling framework to restart their support for country projects/programs. But environmental issues cannot be addressed in a stop and go manner.

Third, even in the absence of an environmental emergency, GEF processes should provide for its continued engagement with low scoring countries through policy dialogue and capacity building, thus helping them improve their allocation scores.

Fourth, the weightage assigned to different elements in the allocation formula should reflect GEF priorities and consistency with the Conventions that it is the financing instrument for. Considering that the primary focus of GEF is on potential global benefits, we think that these be assigned a significantly higher weightage than country performance. On the biodiversity potential score in Eco regions, we believe that a higher importance be given, within the overall weight assigned to global benefits, to local potential and threat.

Fifth, “country performance” should be defined narrowly, and in strict reference to GEF’s mandate. The choice of indicators should reflect this focus. I do not agree with inclusion of indicators on macro policies and governance in its broader meaning. Country performance must be measured only in terms of environment related policies and institutions, besides performance of previously funded GEF projects. I think it would be far more cost effective to adopt the environmental sub index of the Bank’s CPIA. This would also be consistent with the need for harmonization.

Sixth, I agree with the concept of ceilings and floors. I do not support the concept of countries banking their underutilized allocations, because scarce resources should not be tied down when they can be used efficiently elsewhere. Countries must also have the incentive to move with some speed. I also disagree with the variations of the initial model proposed in paras 85-88, since this might result in the concentration of GEF assistance to a few countries.

Finally, I also think that prior to the formal adoption of a PBA system, the Council should have the opportunity to review simulations and examine the sensitivity of the formula on allocations. I hope these will be presented at the September 2004 Seminar.