

GEF RESOURCE ALLOCATION FRAMEWORK: THRESHOLD FOR INDIVIDUAL COUNTRY ALLOCATIONS

Background

1. The GEF Council has discussed various documents related to the Resource Allocation Framework beginning in 2003. The Council is considering a number of motions related to the RAF that were tabled at its meeting in November 2004. During Council consultations held in Paris in March 2005, council members sought further clarification on a series of technical issues related to the Resource Allocation Framework to facilitate their internal consultations prior to the June 2005 Council Meeting. This is the third note in the series. It focuses on the threshold allocation that is used in the Country and Group Allocation Phase to determine whether: (i) a country receives allocations specific to the country; or (ii) a country is part of a group of countries that collectively receives allocations.
2. The threshold amount balances the increased certainty that country-specific allocations provide with the operational flexibility that group allocations provide. In the Country and Group Allocation Phase, indicative country allocations are determined in proportion to each country's allocation score, subject to an allocation ceiling and floor.¹ Countries with indicative country allocations higher than a threshold amount can individually access their respective indicative allocations. Such allocations provide countries with the certainty necessary for developing a program for engagement with the GEF. The continuous distribution of allocations scores results in a large number of countries with indicative allocations at or close to the floor, and leads to operational challenges in developing numerous technically viable small projects. Pooling the indicative allocations of countries below the threshold amount into groups and enabling collective access to the pooled resources by members of the groups increases the operational flexibility of the system.
3. In document GEF/C.24/8 considered by the Council at its November 2004 meeting, 48% of Biodiversity resources and 62% of Climate Change resources were allocated to specific individual countries based on the proposed threshold amount of \$10 million. One of the motions tabled in the November 2004 Council meeting proposed that 75% of the resources in each focal area be allocated to individual countries. This paper discusses the relationship between threshold amounts and the share of resources allocated to specific countries and to groups of countries.

¹ In the Country and Group Allocation Phase, each country's allocation scores are separately determined for the two focal areas: Biodiversity and Climate Change. These scores are determined using an equation that weights two factors: an assessment of the country's potential global environmental benefits in the respective focal area and an assessment of country performance. Additional details are contained in the other technical notes in this series entitled: (i) Equations and Weights; (ii) GEF Benefits Index: Climate Change (forthcoming); and (iii) GEF Benefits Index: Biodiversity (forthcoming).

Threshold Amount

4. The relationship between threshold amounts and the share of resources allocated to specific individual countries primarily depends on the distribution of country allocation scores. The GEF Benefits Index for both Climate Change and Biodiversity used to determine indicative allocation scores for countries has been revised since November 2004 to reflect some of the concerns raised by Council members. (See the forthcoming notes in this series on these updates for additional details). While the distribution of the new allocation scores are similar to that described in GEF/C.24/8 for Climate Change, the same is not true for the Biodiversity focal area. This note is based on the updated GEF Benefits Index for Climate Change and Biodiversity. The GEF Performance Index has not been updated and remains the same as in Council document GEF/C.24/8.

5. Table 1 shows the number of countries that exceed the threshold amount and the share of resources that these countries account for in the Biodiversity and Climate Change focal areas at two different threshold amounts: the \$10 million threshold amount used in the GEF/C.24/8 and a lower threshold amount of \$6 million. While 19 countries accounting for 63% of the resources exceed the threshold amount of \$10 million used in the GEF/C.24/8 in the Climate Change focal area, 20 countries accounting for 58% of the resources exceed the same threshold for Biodiversity. The update to the Benefits index does not change the share of resources allocated to individual countries for Climate Change, but does make a significant difference for the Biodiversity focal area. If the threshold were lowered to \$6 million, 32 countries accounting for 75% of resources in Climate Change and 34 countries accounting for 70% of resources in Biodiversity would receive separate individual allocations.

Table 1: Number of Countries with Individual Allocations and the Share of Resources Accounted to them at different Threshold Amounts

Threshold Amount	No of Countries with Individual Allocations		Share of Resources Accounted by Countries with Individual Allocations	
	Biodiversity	Climate Change	Biodiversity	Climate Change
\$10 million	20	19	58%	63%
\$6 million	34	32	70%	75%

6. Changes in the threshold amount also affect the number of viable groups that can be formed. GEF/C.24/8 discussed by the Council in November 2004 proposed four groups below the threshold of \$10 million.² If the threshold is changed, the viability of the groups in terms of the number of countries and the total group allocations will have to be reconsidered (see the forthcoming technical note in this series on Operationalization).

² GEF/C.24/8 proposed three country groups in addition a fourth set of countries with allocations at the floor amount.

7. A number of other factors that alter the distribution of indicative allocations also affect the relationship between the threshold amount and the share of resources allocated to countries that exceed the threshold amount. The most important of these is the size of the GEF4 replenishment.³ The simulations presented in Table 1 are based on the resources that would have been available if the RAF had been in place for GEF3, where the total replenishment was for \$3 billion of which \$820 million each would be available for allocation to countries and groups of countries under the RAF for the Biodiversity and Climate Change focal areas.

³ The floors and ceilings used can also affect the share of resources allocated to individual countries. However, these effects are much smaller than the impact of size of the replenishment.