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REPORTING ON THE SHARE OF GEF FINANCING IN AGENCIES' PORTFOLIOS

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INTRODUCTION

1. Participants to the Seventh Replenishment of the GEF Trust Fund requested that the Secretariat, in consultation with Agencies, present to the 54th Council a proposal for the application across all Agencies of a ceiling of 30%, i.e., that the total GEF financing for projects and programs that an Agency has under implementation shall not make up more than 30% of the total financing for projects and programs that the Agency has under implementation.¹ A Working Group of the GEF Partnership comprising of Council members was also established to work with the Secretariat on the issue.

2. The Secretariat presented a preliminary analysis to the 54th Council² and a further analysis to the 55th Council.³ The Secretariat also presented to the 56th Council a summary of the deliberations of the Working Group of the GEF Partnership.⁴ The Working Group met three times in 2019, including with Agencies on the margins of the 56th Council, and again virtually on July 27, 2020.

3. The Council decision of GEF/C.55/08, *Harmonizing the Rules and Requirements for All Agencies*, requested Agencies to report to the Secretariat the volume of their non-GEF portfolios on an annual basis, starting on June 30, 2020, and further requested the Secretariat to compile and present such reports to Council starting in the Fall of 2020. In accordance with the Council request, this paper provides Council with a report on non-GEF portfolio information received from the GEF Agencies.

4. The report to the June 2019 Council noted that Working Group Participants agreed that their deliberations should be informed by input from recipient country stakeholders and Agencies; to this end the report included results of a survey of recipient countries' GEF Operational Focal Points (OFPs) conducted by the Secretariat. In the survey, OFP respondents underscored the importance of a country-driven process to select the Agency best placed to implement GEF projects or programs. Some Agencies also provided written input, which was shared with the Working Group and helped to inform an examination of the methodology and its limitations and ultimately the data request to Agencies. The Secretariat also consulted with Agency representatives during GEF Agency Retreats in 2019 and 2020 on methodological issues.

5. This report also provides an overview of the activities of the Secretariat, Agencies and the Council Working Group on the GEF Partnership on this issue, the methodological issues

¹ GEF/C.54/19/Rev.03, Summary of the Negotiations of the Seventh Replenishment of the GEF Trust Fund

² GEF/C.54/08, *Strengthening the GEF Partnership*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.08_Strengthening_the_GEF_Partnership_1_0.pdf

³ GEF/C.55/08, *Harmonizing the Rules and Requirements for All Agencies*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.55.08_Harmonizing_Rules_and_Requirements_0.pdf

⁴ GEF/C.56/04, *Report on the Working Group of the GEF Partnership*, <https://www.thegef.org/sites/default/files/council-meeting-documents/GEF-C.56-04%2C%20Report%20on%20the%20Working%20Group%20on%20the%20GEF%20Partnership.pdf>

encountered during the exercise, and the approach used to address them. Methodological issues are further explained in Sections II and III, and detailed results are presented in Section IV. In particular, due to limitations in the overall portfolio approach, Agencies were requested to provide information for two separate indicators measuring: i) the share of GEF financing in new Agency approvals and commitments, and ii) the share of GEF cash transfers in Agency disbursements to recipients. While these indicators share some of the same challenges of the previous approaches, they may provide a more representative picture of the relative levels of GEF activity within each Agency, as further discussed in the following sections. Finally, an outline of the work anticipated on this issue through the end of the GEF-7 period is provided.

METHODOLOGICAL ISSUES: STOCK VERSUS FLOW APPROACH

6. Previous analyses of the GEF share of Agency portfolios have used both a stock approach (i.e. the total GEF-financed portion of the Agencies' active project and program portfolio under implementation) and a flow approach (i.e. the share of new GEF funding commitments in Agencies' total new project and program activities). As noted in the previous Council documents, both approaches entailed methodological and reporting challenges that could not be reconciled.

7. In the June 2018 Council document, the Secretariat noted that it had considered the GEF's share of Agencies' outstanding portfolio (the "stock") of approved projects, net of cancellations. An analysis presented by the GEF Independent Evaluation Office for OPS6 however considered Agencies' annual GEF work programs as a share of their annual expenditures (or "flows"). The first portfolio stock measurement in 2018 measured projects that had reached PIF approval, but also captured many completed projects in Agencies' portfolios that had yet to be financially closed, thus inflating the size of their GEF portfolios. The second stock measurement used CEO endorsement/approval to denote entry into the portfolio and was performed after an exercise by Agencies to financially close many completed projects. While an incentive to financially close projects is generally positive, it is a separate process generally unrelated to pipeline development and disconnected from country level program management. Additionally, if an Agency was approaching the 30% cap, there could be an incentive (albeit weak) to delay CEO Endorsement to stay within the cap until projects in (possibly other) countries were financially closed. Again, while unlikely, this could undermine country ownership and equitable treatment.

8. The stock approach to portfolio measurement tends also not to contribute to promotion of a level playing field among Agencies. As noted in the 2018 paper, the size of an Agency's active GEF portfolio may provide a more appropriate indicator of dependency in the case of MDBs but could be less illustrative for other GEF Agencies. In particular, UN Agencies generally operate on a shorter project cycle than GEF projects; adopting a stock measure may therefore result in an upward bias to such dependency measures. Some specialized national agencies do not maintain a portfolio of projects similar to a portfolio of outstanding loans or grant agreements as is the case with MDBs or UN Agencies, posing challenges for comparability. In addition, different internal approval processes among Agencies created challenges for the

determination of a comparable “CEO Endorsement/Approval” milestone in each Agency’s non-GEF project cycles.

9. In light of the shortcomings of a stock portfolio measurement approach, an alternative flow approach has been considered, building upon the approach used by IEO in OPS6, in which the challenges of comparability were already recognized. The OPS6 used a measure of “estimated scale of Agency annual workplan” to arrive at a range estimate. Separating this measure into two separate indicators provides some additional insight into Agency activity by assessing both approvals (or new funding commitments) and disbursements (or level of project and program activity requiring Agency financial resources). The components of these indicators are further described below.

- (i) **Approvals:** This measures the GEF share of net new approvals by each Agency during the reporting period. The GEF portion (numerator) is measured as the net Trustee commitments to the Agency (i.e. new CEO endorsements or approvals confirmed, less cancellations as a result of financial closures or other cancellation decisions) during the most recently available fiscal year. The total Agency portion (denominator) is the Agency’s total new funding commitments to beneficiaries, recipients or clients as appropriate, including the GEF portion.
- (ii) **Disbursements:** This measures the GEF share of net new disbursements by each Agency during the reporting period. The GEF portion (numerator) is measured as the net Trustee cash transfers to the Agency during the Agency’s respective reporting period, in respect of already-approved GEF projects and programs. The total Agency portion (denominator) is the Agency’s total cash disbursements to all recipients of its funding, including the GEF portion.
- (iii) **Reporting period:** The reporting period used is the most recently available 12-month period prior to June 2020, per the Council request at C.55. For some Agencies with different fiscal year-ends, data as of June 2020 was not yet available. In these cases, the most recent fiscal year-end data was used and the time period for the measurement of the GEF-financed portion adjusted accordingly.

10. Table 1 provides a summary of the information received from Agencies and the resulting calculations. The reporting shows that GEF funding does not support more than 20% of any Agency’s activities, when measured using either the approval or disbursement indicators described above.⁵ Details of the data reported by Agencies and used for the calculations in Table 1 are also presented in Annex 1.

⁵ The results for two MDBs and one national GEF Agency are reported as zero due to the effects of project closures and cancellations.

11. Finally, if the previous stock portfolio methodology had been applied to the Agencies that were approaching the 30% ceiling in 2018⁶, the available data indicated that the shares of these Agencies at end-June 2020 would have been materially unchanged from the levels reported in 2018 (i.e. not exceeding the 30% ceiling).

Table 1: Summary of Agency Reporting on non-GEF Approvals and Disbursements

		Fiscal Year Reporting Period - 12 months ending	GEF net approvals as share of Total Agency Approvals	GEF net transfers to Agency as share of Total Agency Disbursements
Agency			%	%
AfDB	a/	31-Dec-19	0.0%	0.0%
ADB		31-Dec-19	0.0%	0.1%
BOAD		30-Jun-20	1.3%	0.0%
CAF		31-Dec-19	0.1%	0.0%
CI		30-Jun-20	9.6%	7.2%
DBSA		31-Mar-19	0.0%	0.0%
EBRD		31-Dec-19	0.0%	0.1%
FAO		30-Jun-20	2.0%	4.7%
FECO	b/	30-Jun-20	0.0%	0.0%
FUNBIO		30-Jun-20	0.0%	6.4%
IDB		30-Jun-20	0.1%	0.2%
IFAD		31-Dec-19	0.3%	1.5%
IUCN		30-Jun-20	0.3%	3.1%
UNDP		31-Dec-19	1.5%	7.6%
UNEP		31-Dec-19	8.2%	12.6%
UNIDO		31-Dec-19	16.4%	15.2%
WB	a/	30-Jun-20	0.0%	0.1%
WWF		30-Jun-20	2.6%	5.5%
a/ Commitment cancellations due to project closures exceeded new commitment amounts resulting from GEF CEO approval and endorsements				
b/ No new commitments. One commitment cancellation reported due to project closure; cancelled amount was returned				

⁶ UNEP at 29.3% and UNIDO at 28.9%

OTHER METHODOLOGICAL ISSUES

12. Working Group Participants, OFPs and Agencies noted the importance of: i) avoiding additional GEF resource allocation constraints that could impact countries' ability to access GEF resources, ii) preserving countries' choice of GEF Agency, iii) minimizing additional reporting burden on Agencies, and iv) preventing any sudden disruption in the operation of the GEF. In this context, the following issues have been identified.

13. *The applicability of a common metric across a diverse group of GEF Agencies is problematic.* Agencies with specialized environmental mandates may report a higher share of GEF financing, whereas those with more general mandates would report lower shares. Furthermore, indicators based on the percentage of outstanding loans or other portfolios may not be appropriate for other Agencies with business models based on the provision of specialized technical assistance or conservation investments. The selection of a common set of indicators for dependency could therefore work against the underlying objective of a level playing field among Agencies.

14. *Depending on the methodology, data collection may become cumbersome for Agencies.* Agencies noted that, depending on the process and nature of the requests, reporting on the size of their active non-GEF portfolios represented an additional requirement that could be cumbersome and should therefore be as streamlined and straightforward as possible. The Agency feedback to the WG noted that significant efforts have already been made across the Partnership to streamline and harmonize reporting, with a focus on core results indicators.

15. *Comparable data at a specific date is not readily available across all Agencies.* GEF Agencies operate on different fiscal years, therefore publicly-available information on their comprehensive non-GEF corporate activity may not be available at a particular GEF-specified reporting date. Of the 18 Agencies, 9 were able to report data as of 30 June 2020, 8 reported most recent available data as of 31 December 2019, and one reported as of 31 March 2019.

16. *Use of annual approval and disbursement figures could result in 'lumpy' outcomes that vary widely from one year to the next.* Agency portfolios can vary widely across the years, particularly through Agency involvement in large-scale GEF investments such as programs which may result in higher figures in the year of approval and cash transfers that may not follow for a year or more. Calculations based on annual figures may therefore result in non-typical figures; caps being applied to these figures may therefore constrain agency involvement in key programs. Project cancellations and closures also impact the annual net commitment and disbursement levels – in some cases resulting in negative net values where such amounts exceed the amounts for new approvals or cash transfer amounts. It should be noted however that this outcome was observed for only 2 MDBs and one national GEF Agency, all of which maintain high levels of non-GEF activity and for which dependency is therefore not expected to be of concern. The variability of annual data could be alleviated in the future by using a multi-year rolling average over time.

17. *Limits on funding shares are not generally used by other funds.* The Working Group expressed an interest in exploring how other funds and partnerships have managed similar issues. To this end, the Secretariat informally canvassed other comparable partnerships supported by large trust funds, to determine their approach to this issue.⁷ This bilateral outreach revealed that limits on dependency are generally not used by other funds, except in specific cases where loans, equity or other non-grant instruments are extended to implementing entities. In these cases, any limits were part of a broader financial and credit risk management function, which cases are not directly applicable to the GEF.

COMPARING THE STOCK AND FLOW APPROACHES

18. When compared with the results of previous reporting, the use of approval and disbursement indicators produces outcomes generally consistent with the stock portfolio approach in terms of ranking. It nevertheless suggests a much lower level of dependence on GEF financing in Agencies' overall activities. Table 2 presents a comparison of the results using both approaches, for those Agencies with the highest calculated shares when the exercise was first launched in 2018 (using December 2017 data).⁸ As noted above, available Agency stock portfolio data suggested that the percentage shares for the Agencies approaching the 30% ceiling (UNEP, UNIDO) would have been essentially unchanged from the previously reported October 2018 levels had the stock portfolio methodology been applied instead.

Table 2: Comparison of the stock and flow approach for Agencies with highest shares as originally reported in December 2017

	GEF Share of Agencies' Total Active Portfolio (%)		GEF Share (2019-2020) as % of Agencies' Total:	
	Dec 2017	Oct 2018	Approvals	Disbursements
UNEP	39.4	29.3	8.2	12.6
UNIDO	29.4	28.9	16.4	15.2
IUCN	15.5	7.8	0.3	3.1
WWF	13.4	6.6	2.6	5.5
FAO	13.3	11.1	2.0	4.7
UNDP	13.0	10.7	1.5	7.6
CI	8.8	6.8	9.6	7.2
FUNBIO	3.4	2.6	0.0	6.4
IFAD	1.1	2.1	0.3	1.5
BOAD	0.7	0.1	1.3	0.0

⁷ Climate Investment Funds, Green Climate Fund, Global Partnership for Education

⁸ While immediately comparable data was not available, indications are that % shares for UNEP and UNIDO would have been essentially unchanged from reported 2018 levels if a stock portfolio approach had been used.

NEXT STEPS

19. The Secretariat will continue to monitor the share of GEF funding across Agencies throughout the GEF-7 period in collaboration with the Working Group, and report to Council at the 61st Council in December 2021. The Secretariat will also report to this Council on the further experiences and lessons learned, with a view to presenting any associated recommendations for Council consideration at a future date.

ANNEX I: DETAILED REPORTING BY AGENCIES

GEF Agency and Trustee Reported Data (millions)

Agency	Fiscal Year Reporting Period 12 months ending	GEF approvals (Trustee net commitments)	Total Agency Approvals (including GEF-funded)		Cash transfers to Agency from Trustee (net)	Total Agency Disbursements (including GEF)		Reporting Currency
			in reporting currency	USDeq		in reporting currency	USDeq	
		USD			USD			
AfDB	31-Dec-19	0.79	7,300.00	10,094.66	0.30	3,800.00	5,254.75	UA
ADB	31-Dec-19	-5.74 a/	33,743.00	33,743.00	21.74	16,470.00	16,470.00	USD
BOAD	30-Jun-20	16.78	735,900.00	1,255.89	0.00	498,077.00	850.02	XOF
CAF	31-Dec-19	7.54	13,013.00	13,013.00	1.96	10,050.00	10,050.00	USD
CI	30-Jun-20	15.30	159.92	159.92	11.14	155.28	155.28	USD
DBSA	31-Mar-19	0.00	6,800.00	493.99	0.00	8,700.00	632.01	ZAR
EBRD	31-Dec-19	14.54	34,884.00	39,050.71	5.54	7,163.00	8,018.58	EUR
FAO	30-Jun-20	38.90	1,952.17	1,952.17	68.69	1,453.35	1,453.35	USD
FECO	30-Jun-20	-0.01 b/	453.50	64.50	-0.01	601.32	85.52	CNY
FUNBIO	30-Jun-20	0.00	275.39	72.48	1.50	89.45	23.54	BRL
IDB	30-Jun-20	9.29	14,633.00	14,633.00	20.56	10,243.00	10,243.00	USD
IFAD	31-Dec-19	5.46	1,771.00	1,771.00	14.94	1,018.00	1,018.00	USD
IUCN	30-Jun-20	1.82	676.37	676.37	4.00	130.20	130.20	USD
UNDP	31-Dec-19	88.78	5,872.00	5,872.00	343.00	4,511.00	4,511.00	USD
UNEP	31-Dec-19	66.40	807.40	807.40	85.00	677.21	677.21	USD
UNIDO	31-Dec-19	25.33	154.72	154.72	28.87	190.26	190.26	USD
WB	30-Jun-20	-12.54 a/	62,060.00	62,060.00	50.00	47,820.00	47,820.00	USD
WWF	30-Jun-20	8.10	316.42	316.42	9.78	177.20	177.20	USD

a/ Commitment cancellations due to project closures exceeded new commitment amounts resulting from GEF CEO approval and endorsements
b/ No new commitments. One commitment cancellation reported due to project closure; cancelled amount was returned