

Secretariat Proposal on RAF

Based on policy recommendations of the third replenishment, and in particular the recommendation that the GEF should establish a framework for allocation of resources to global environmental priorities and to countries based on performance;

Consistent with the Instrument for the Establishment of the Restructured GEF and the global environmental conventions for which the GEF serves as a financial mechanism;

Reflecting the decisions of the Council concerning a resource allocation framework adopted at its meetings in October 2002, May 2003, November 2003, May 2004 and November 2004;

Based on assessments of country potential to generate global environmental benefits consistent with the Convention on Biological Diversity and the UN Framework Convention on Climate Change;

Recognizing the need for a transparent, equitable and inclusive system for the allocation of resources within the GEF;

Recognizing further that success in meeting the objectives of the GEF is based on good governance related to environmental sustainability within each country and at the international level;

1. The Council agrees to implement a resource allocation framework based on an index of a country's potential to generate global environmental benefits in the biodiversity and climate change focal areas (GEF Benefits Index, GBI) and an index of performance (GEF Performance Index, GPI).
2. The Council instructs the Secretariat to produce a document on a resource allocation framework for an extraordinary meeting of Council in August 2005, including as a minimum, the following:
 - (a) RAF implementation will begin with a country/group allocation model for the focal areas of biodiversity and climate change. It will apply to the GEF 4 replenishment;
 - (b) The document will present options on the minimum resources to be allocated to individual countries for the climate change and biodiversity focal areas as follows: 60 percent for both focal areas and 75 percent for both focal areas. Countries which do not receive an indicative individual allocation will be eligible for allocation to a group.
 - (c) A GPI will be constructed on basis of the following sources of data: World Bank OED, GEF, and CPIA (subject to the World Bank's public disclosure policy) and will consist of the following components, *inter alia*:

- i) a portfolio component (20 percent) based on World Bank OED and GEF data;
- ii) an environment sector component (60 percent) based on the CPIA environment indicator, namely “Policies and Institutions for Environmental Sustainability”; and
- iii) a broad framework indicator on governance (20 percent).

3 The paper will include provision for the following factors, based on communications from the Council members on the following matters not resolved at the June 2005 Council meeting:

- (a) Use of the CPIA” Public Sector Management and Institution” cluster, to be used in 2(c) iii) above;
- (b) Whether to include a macro-economic indicator as a fourth component of 2(c) above, and with what weighting;
- (c) The percent to be allocated to individual country allocations and group allocations to be used in 2(b) above.
- (d) the parameters for ceilings;
- (e) activities to be excluded from the country / group allocations, described in 2(b) above; and
- (f) public disclosure of GPI information.

4 The paper will include provision for review of the operation of the RAF after two years of implementation. During the review, the Secretariat is asked to explore the feasibility of using indicators available or to be developed within the UN system.