

Working draft of Council decision on RAF
Proposal by the Secretariat

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 environment and development within each country and at the international level;

1. The Council agrees to implement a resource allocation framework, as broadly described in the document GEF/C.24/8, *Resource Allocation Framework*, and related technical notes¹ and based on an index of a country's potential to generate global environmental benefits in each focal area (GEF Benefits Index, GBI) and an index of performance (GEF Performance Index, GPI), with the following understandings:

- (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 and be implemented at the latest by the next GEF Assembly;
- (b) any country whose computed allocation is US\$X million or more, for a given focal area for the GEF 4 replenishment period, will be accorded an individual country allocation for that focal area. Any country whose computed allocation is less than US\$X million will form part of a group with other countries whose allocations are below this amount.

2 The Council agrees that the GPI will be constructed on the basis of the following sources of data: World Bank OED, GEF, [WBI], [CPIA (subject to the World Bank's public disclosure policy)] and that the GPI will consist of three components:

¹ Equations and Weights, April 7, 2005; Assessment of Climate Change Benefits, May 4, 2005; and Assessment of Biodiversity Benefits, May 12, 2005.

- (a) a portfolio component [20%] based on World Bank OED/GEF data;
 - (b) an environment sector component [60%] based on [the CPIA environment indicator] [an environmental sector index developed by the GEF]; and
 - (c) a broad framework indicator [20%] based on [the aggregate CPIA index] [the aggregate of CPIA public sector management and institutions indicators] [the WBI aggregate governance index].
3. The Council requests donor Participants, during their negotiations on the fourth replenishment of the GEF Trust Fund, to address the issue of financial arrears to the Trust Fund;
4. The Council is pleased that with this decision, the GEF Secretariat and its Implementing Agencies will be in a position to implement the RAF for the GEF 4 replenishment period. The Council will keep under review experience in implementing the agreed RAF, and further development of the approach, including its application to the other focal areas, will be subject to a decision of the Council.
- [5. The Council requests the Secretariat to prepare for review and confirmation at its next meeting a document describing the operational system for the agreed RAF described above, including the list of eligible countries, and floors and ceilings.]