



Global Environment Facility

October 18, 2005

Joint Summary of the Chairs Special Meeting of the Council August 31-September 1, 2005

Opening of the Meeting

1. The meeting was opened by Leonard Good, Chief Executive Officer/Chairperson of the Facility. He noted that the special meeting of the Council was being convened as agreed at the last Council meeting to finalize the structure of the Resource Allocation Framework.
2. The Council expressed its sincere sympathy to the people and government of the United States on the recent natural disaster which has resulted in the loss of many lives and devastation in Louisiana, Mississippi, and Alabama.

Election of a Chairperson

3. The Council elected Roger Ehrhardt, the Council Member representing Canada, as its elected Co-Chair.

Adoption of the Agenda

4. The Council approved the provisional agenda set forth in document GEF/C.26/1.

Finalization of the Resource Allocation Framework

5. The Council approved a framework to allocate GEF resources. The Council decision on the finalization of the Resource Allocation Framework (RAF) is attached as Annex I to this joint summary.
6. One Council Member noted the importance of including indicators for agrobiodiversity in the global benefits index for biodiversity.

Two Year Review of the RAF

7. The Council also took a decision on a two year review of the RAF. This decision is attached as Annex II.

Statements by Council Members

8. The Council Member from Belgium and the Council Member representing the constituency comprising Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay indicated that their constituencies did not support the decision on the RAF but they did not object to its approval by consensus.

9. The Council Member representing Germany requested that her statement be annexed to the Joint Summary. This statement is set forth in Annex III.

10. The Council Member representing Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay requested that his opening and closing statements be annexed to the Joint Summary. These statements are set forth in Annex IV.

Closure of the meeting

11. The meeting was closed on September 2, 2005.

Annex I

Decision on the Resource Allocation Framework

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, November 2004 and June 2005;

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, for the GEF-4 replenishment, 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 and an index of performance.

2. The RAF will be structured as described in document GEF/C.26/2/Rev.1, *Technical Paper on the GEF Resource Allocation Framework*, with the following amendments and understandings:

- (a) With respect to the issue of performance:
 - (i) BFI will be based on the average of the five indicators under the "Public Sector Management and Institutions" cluster of the CPIA;
 - (ii) The weights of the three components of GPI will be as follows:
 - a. PPI = 10 percent,
 - b. CEPIA= 70 percent,
 - c. BFI = 20 percent;

- (iii) No macroeconomic indicator is included in GPI; should the GEF Council wish to approve a policy permitting GEF financing for budgetary support (as defined in paragraph 21 of the Joint Summary of the Chairs, May 2004) a macroeconomic indicator will need to be included in the GPI.
- (b) With regard to the allocation of resources to individual countries and the group in the biodiversity and climate change focal areas, the following steps will be followed:

(i) *Step 1. Country score*

For each eligible country in each focal area,¹ a *country score* is computed from the GEF Benefits Index (GBI) and the GEF Performance Index (GPI) as follows:

$$\text{Country Score} = \text{GBI}^{0.8} \times \text{GPI}^{1.0}$$

(ii) *Step 2. Country share*

The *country share* for each focal area is determined by dividing the country score for the focal area by the sum of the country scores for all eligible countries in that focal area, as follows:

$$\text{Country Share} = \frac{\text{Country Score}}{\text{Sum of Country Scores for all eligible countries}}$$

(iii) *Step 3. Preliminary country allocation*

A *preliminary country allocation* for each country in each focal area is computed as the product of the country share and the total amount of GEF resources available for that focal area under the RAF after the following exclusions:

- a. 5 percent of the focal area resources for global and regional allocations
- b. 5 percent of the focal area resources for small grants program and cross-cutting capacity building activities

Country Preliminary Allocation = Country Share x GEF resources available under RAF after exclusions

(iv) *Step 4. Adjusted allocations for minimum allocations and ceilings*

For each country whose *preliminary country allocation* is less than \$1 million, a targeted supplement will be provided so that the country will have a minimum *adjusted allocation* of \$ 1 million. The *preliminary country allocations* in each

¹ With the exception of countries referred to in paragraph 24, of GEF/C.26/2/Rev 1.

focal area are also adjusted for the focal area ceiling. Additional resources that become available after applying the ceiling are reallocated to the remaining countries in proportion to the *country shares*.

The ceiling for biodiversity is 10 percent of the resources available for the focal area in the replenishment period, and the ceiling for climate change is 15 percent of the resources available for the focal area in the replenishment period.

(v) *Step 5. Indicative allocations to countries and groups of countries*

For each focal area, all eligible countries are listed in decreasing order of *adjusted allocations*. The highest-ranked countries whose cumulative *adjusted allocations* equal 75 percent of the total resources in the focal area will receive country specific *indicative allocations* equal to their respective *adjusted allocation*.²

The remaining countries will be placed in a group with collective access to the *indicative allocations* for countries in the group. The *upper limit* on approved projects for any country in the group will be equal to the *adjusted allocation* of the highest-ranked country in the group.

The total of exclusions, top-ups and group allocation will not exceed 25 percent of the resources in each focal area.

An illustration of the application of the RAF is included as Attachment 1.

- (c) With respect to disclosure:
- (i) allocations for individual countries and the group will be disclosed and GBI for all countries will be disclosed.
 - (ii) regarding CPIA data used in GPI, a link will be made available from the GEF website to the World Bank website.
- (d) Mid-term reassessment and reallocation will be undertaken as described in paragraph 19 of the technical document. In addition, a country that receives an individual allocation in the first half of the replenishment period will continue to receive an individual allocation in the second half of the replenishment period.³ In the context of the implementation of the RAF and in the light of the mid-term reassessment and reallocation, it is imperative that the GEF continue to make every effort to streamline its processes for approvals and disbursements.

² In GEF 3, these two focal areas together account for two-thirds of the resources employed for programming in the GEF.

³ Such a country will continue to be eligible for an individual allocation equal to its adjusted allocation resulting from the re-assessment plus its carryover from the first half of the replenishment period.

- (e) The Council will review the RAF after two years of implementation. The review will examine the operational experience with the RAF. It will also consider the feasibility of using indicators available, or to be developed, within the UN system, and an evaluation of the weight of governance within the Country Environmental Policy and Institutional Assessment Indicator (CEPIA).
- (f) The RAF system will undergo an independent review to be concluded at the same time as, or as part of, the fourth independent overall performance study of the GEF (OPS4).

3. The Council confirms the decision taken at its meeting in November 2003 that the Secretariat should work to develop a GEF-wide RAF based on global environmental priorities and country-level performance relevant to those priorities. The Council will review progress in developing indicators for other focal areas in conjunction with the mid-term review.

Attachment 1
Illustration of Resource Allocations under the RAF in each focal area*

| | Focal Area | |
|--|--------------|----------------|
| | Biodiversity | Climate Change |
| Total Resources in focal area (\$ million) | 960.0 | 960.0 |
| Exclusions: Global & Regional (5% of total) | 48.0 | 48.0 |
| Exclusions: Small Grants Program & cross-cutting cap (5% of Total) | 48.0 | 48.0 |
| Total Exclusions | 96.0 | 96.0 |
| Resources Available for Individual Country Allocation and to the Group | 864.0 | 864.0 |
| Allocations to Individual Countries based on formula | 721.2 | 720.4 |
| Allocations to the Group based on formula | 119.5 | 84.3 |
| Allocations to the Group based on targeted supplements | 23.3 | 59.3 |
| Threshold amount for Individual allocation (\$ million) | 3.2 | 2.6 |
| Total number of Eligible Countries | 148 | 160 |
| Number of countries with Individual Allocations | 56 | 45 |
| Number of countries in the Group | 92 | 115 |
| Share of resources allocated to individual countries based on formula | 75.1% | 75.0% |
| Share of Global Benefits (GBI) accounted by countries that receive individual allocations | 87.1% | 89.9% |

* All amounts shown are based on total resources available in each focal areas in GEF-3
Actual amounts in GEF-4 will change based on actual resources available in GEF4 and changes in the
GBI and GPI for each country between now and the start of GEF4.

Annex II

Decision on Two Year Review of the RAF

The Council requests the Office of Monitoring and Evaluation, in collaboration with the Secretariat and Implementing and Executing Agencies, to prepare for Council consideration a review of the RAF after two years of implementation (see paragraph 2(e) of the *Decision on the Resource Allocation Framework*).

ANNEX III

Statement by Council Member from Germany on the Resource Allocation Framework (RAF)

With reference to the outcome of the discussions on the RAF in the 26th Council meeting, I would like to confirm, in my capacity as the Council member for Germany, that Germany is committed to the decision of the 3rd replenishment of the GEF (2002) that a performance-based system of allocation should be established. Good performance, accountability and good governance of the Facility and all partners involved continue to be important prerequisites for continued support for our work - in particular by those who provide funding from public donor budgets for the replenishment and are accountable to their national parliaments.

We have agreed and still believe that performance shown in the past should be a determinant for the allocation of future GEF resources.

We also are convinced that governance issues are important with a view to guaranteeing that GEF resources are used in an effective and efficient manner.

The architecture and governance of the GEF has been carefully designed in such a way that it,

- firstly, ensures effective and efficient use of scarce resources in order to maximize global environmental benefits and at the same time contributes to sustainable development and
- secondly, keeps a balance between the policy guidance of the conventions for which it serves as a financial mechanism and the operational responsibility of the Council and its accountability to the providers of funds.

Keeping this in mind, we have always underlined that the GEF is a unique financing instrument with very specific tasks and a very specific governance structure. The Council, in shaping the future of the GEF, has to take into account the very rationale of its existence; otherwise we will lose the continued support of our constituencies, the Conventions, the partners in recipient countries as well as the funding sources in donor countries.

We are concerned that these long-standing and resource-intensive discussions have not led to the result we would have needed to really improve the efficiency and transparency of the use of GEF resources. We are afraid that the system we are adopting is complicated but not transparent; that it is exclusive and does not reflect the necessity of universal participation; that it does not ensure the cost-effectiveness of the GEF's activities but leads to increasing bureaucracy; that it is not sufficiently flexible to respond to changing circumstances - all these being fundamental principles laid down in the GEF Instrument. And we are concerned that this jeopardizes the quality of GEF projects due to very low thresholds for a number of countries.

We agree to the decision with a view to bringing forward the replenishment negotiations. But we believe that, as we start implementation, we have to focus on a very intensive monitoring and review process. I am confident that the Council will have the wisdom in future to be flexible enough to respond to experience gained in the operational phase and - if necessary - to modify the system.

ANNEX IV

Statements by Council Member representing Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay.

OPENING STATEMENT

“The GEF is of great interest to us as recipient countries,. It is for this reason that we would like to assess its current operation and enhance it, as well as analyze the manner in which the Implementing Agencies carry out their tasks.

We are still not fully convinced by the RAF document. The Secretariat seems to be moving toward a consensus that we are not yet able to fully envisage. In this regard, we note that a number of assumptions have been presented to us as facts and we would like to indicate that we are still unclear as to the real impact that the implementation of this proposed RAF will have on our countries.

We would like to have further clarification on this issue through a simulation exercise and the presentation of concrete examples (even if countries are not named).

With regard to the indicators, we wish to reiterate that the CCS can accept all the indicators that have a direct link to the environment, because this is the subject matter with which we are concerned.

However, in this forum, we are not yet in a position to accept indicators that have to do with issues that are not strictly environmental in nature.

The GEF responds to the UN Environmental Conventions (MEAs) that have designated the GEF as the financial mechanism for such agreements. Its mandate is to support the achievement of the lofty environmental goals the international community has set itself. We believe that it is crucial that we do not lose sight of these essential elements and it is for this reason that we greatly appreciate having Mr. Kalus Topfer participate in this forum.

Mr. Chairman, thus far, we see no merit in trying to change what we believe is already working quite well. The countries of the Constituency that we represent have used the GEF funds in a very judicious manner and they wish to continue doing so.

We are open to dialogue and negotiation, but we seek further clarification and reserve the right to revisit other more specific points that concern us, such as the inclusion of the SGPs in the RAF, the cost of the RAF, and, like Sweden, we also wish to see simulation models for this RAF that is being proposed to us.”

CLOSING STATEMENT

“Mr. Chairman, on behalf of the CCS, we have already expressed our opinion on the principle and the process regarding this matter.

Unfortunately, the document before us and for which you are requesting our approval is unacceptable to us.

We believe that this document does not help to enhance the GEF’s operations or to achieve its lofty global goals, much less to guarantee more active participation of small and medium-sized countries, which have a firm and genuine commitment to the environmental agenda. Rather, this document seems to be more of an obstacle than an incentive to increasing our participation.

Likewise, we disapprove of the manner in which this document was prepared and that is why we feel compelled to request that it be noted in the minutes of this meeting that the countries comprising this Constituency do not agree with the non-transparent and exclusive manner in which these closed proceedings were conducted during the final stages of these negotiations.

From the opening session, we made a clear call for the process to be open and participatory, but in the final analysis, this was not the case.

Mr. Chairman, we reiterate that this document is unsatisfactory in content and that we disapprove of the non-transparent and non-inclusive process from which it emerged.

In this regard, regrettably, we must state that we are concerned about the role of the Secretariat in this matter.

In closing, Mr. Chairman, this Constituency will not obstruct efforts to reach a consensus, if that is the final decision taken in the plenary. However, we would like our position to be duly recorded in the minutes of the meeting.”