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The logo for the International Institute of Social Studies, featuring the word "Erasmus" in a stylized, cursive script.

# **To What Extent Does Country Ownership Influence the Resource Allocation Policy to Reform in the GEF?**

A Research Paper presented by

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## **Abstract**

The role of Country Ownership and its importance have been recognized for near two decades. The definition from the Paris Declaration on Aid Effectiveness can be seen as the most acceptable one. This research paper studies influence of Country Ownership at multilateral level in Global Environment Facility. Through its policy reform on the resource allocation policy from 2002 to 2014, the study explores to what extent does Country Ownership influence this reforming through the negotiation by different actors. Based on secondary data, the research shows the existing institutional structure is the most critical variable to enhance Country Ownership for a better decision-making at the multilateral level. Moreover, the degree of transparency is an essential precondition to secure Country Ownership working.

### **Keywords:**

Country Ownership, secondary data analysis, GEF, Performance-Based Allocation.

## **Acronyms**

CBD	Convention on Biological Diversity
EAs	Executive Agencies
GEF	Global Environment Facility
GEF IEO	Global Environment Facility's Independent Evaluation Office
GETF	Global Environment Trust Fund
IAs	Implementing Agencies
IMF	International Monetary Fund
IOs	International Organizations
LDCs	Least Developed Countries
MEAs	Multilateral Environment Agreements
OECD	Organization for Economic Co-operation and Development
ODA	Official Development Assistance
OPS	Overall Performance Studies
PBA	Performance-Based Allocation
RAF	Resource Allocation Framework
SDRs	Special Drawing Rights
SIDS	Small Island Developing States
STAP	Scientific and Technical Advisory Panel
STAR	System for Transparent Allocation of Resources
UN	United Nations

UNFCCC United Nations Framework Convention on Climate Change

WB World Bank

# The Role of Country Ownership at the Multilateral Level in the GEF Context<sup>1</sup>

## Chapter 1: Introduction

The importance of the concept “Country Ownership” can be seen as the result that was built upon the experiences and lessons of development aid in the past decades. The definition and description of this term are various. Among them, the definition by *the Paris Declaration on Aid Effectiveness* (Paris Declaration) can be seen as the most acceptable one. It was adhered by 137 countries, which cover not only developed countries but also developing countries.

In the Paris Declaration, Country Ownership is closely related to the issues of how national priorities of developing countries found and identified. The improvement of Country Ownership, in another word, is the question of what extent national priorities can be developed and implemented properly. It is the mutual accountability for both developed and developing countries.

For developing countries, their governments should play a lead role to 1) develop and implement their national development strategies; 2) translate those strategies into programs, and 3) co-ordinate other development resources. Above actions can be seen as developing countries to enhance Country Ownership at the national level (OECD 2005: 3). For developed countries, they should respect the leadership of developing countries and reform and simplify their policies to progressively align with national priorities of developing countries (OECD 2005:1-3). It should be seen as the essential attitude of developed countries to improve Country Ownership at the multilateral level.

Moreover, the explanation of Country Ownership in the Paris Declaration is incompletely applicable to the circumstance of the Global Environment Facility, especially at the multilateral level, because it does not include the role of international organizations and relevant implementation guidance. However, the critical elements of Country Ownership of the Paris Declaration are still valuable to be a baseline for understanding and assessing this concept.

The Global Environment Facility (GEF) is the financial mechanism for several multilateral environment agreements (MEAs). The GEF is the unique because of its mandate and catalytic role in global environment financing. It is also facing challenges because of the deteriorated environment, limited financial resources from

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<sup>1</sup> This research paper is the result of a learning process. I would hereby like to thank those persons who encouraged and supported me during this process:

- Professor Wil Hout, my supervisor, whose advises greatly guided me to structure my research and improve it toward.
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donors, and changed global landscape of environment finance (GEF IEO 2017: 1).

The GEF is the international organization that realized the importance of engaging developing countries' interests from its initial stage. The GEF Council (the Council), as the formal governing body, is established upon the principle of "guaranteeing a balanced and equitable representation of the interests of developing countries" (UNCED 1992: 302).

Regarding Country Ownership, it is evident that the key elements of Country Ownership are also recognized and identified by the GEF. First of all, as one operational principle of the GEF, its projects are "country-driven and based on national priorities" (GEF 2015: 132), which is emphasized in the fundamental document The Instrument for the Establishment of the Restructured Global Environment Facility (the Instrument<sup>2</sup>). Secondly, the GEF started to use the term Ownership in its first Overall Performance Studies (Porter et al. 1998:104) produced in 1998.

However, the understanding of Country Ownership in the GEF context mainly focuses on the issues at the national level rather than the multilateral level. It results in the same concern in the relevant assessments of the GEF such as its periodical publications – Overall Performance Studies (OPS). Therefore, it is valuable to take a view of Country Ownership at the multilateral level in the GEF, which is also the objective of this research paper.

Since the early 2000s, the GEF was facing a considerable challenge that results from a broader focusing and limited resources. This difficulty can be found the clue from the names of GEF's OPS reports<sup>3</sup> in recent years. The name of OPS 5 report in 2014 is At the Crossroads for Higher Impact; and the most recent report is named The GEF in the Changing Environmental Finance Landscape. For dealing with above challenges, a set of policy reforms of GEF has started even earlier these reports. One of significant policy reform is to create a performance-based resource allocation system since 2002. Thus, the question of this research paper is: to what extent does Country Ownership influence the resource allocation policy to reform through negotiation by relevant stakeholders.

To answer above question, the research paper proposes an assessment framework, which is established based on the PA model and relevant variables from Krasner' work (1985) to assess how extent national priorities and interests of developing country influence the negotiation of the resource allocation system. This paper is a qualitative research. The information used is mainly from the documents of the websites of the GEF Secretariat and the GEF Independent Evaluation Office because it is the only way for the author to access relevant documents of the negotiation. The author also realized that it might cause the bias because of the simplex source.

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<sup>2</sup> The Instrument came into force in July 1994, and was amended in 2002 and 2006.

<sup>3</sup> OPS reports are undertaken every four years to inform the donors prior to the replenishment of the GEF. It provides an independent assessment of performance and results of the GEF over a GEF replenishment period.

To preview the findings, the study discovers a causal effect of improved transparency of the negotiation to enhance Country Ownership. The results suggest that a broader, diverse, and active participation of developing countries during the negotiation is indeed valuable to engage different national priorities, especially of those Small Island Developing States (SIDS) and the Least Developed Countries (LDCs), into the GEF's resource allocation system.

This research paper makes three main contributions to the existing literature. Firstly, it contributes practical lessons drawn from the GEF, which can enrich and advance the Paris Declaration. Secondly, the study might bring debate on the importance of Country Ownership at the multilateral level, which was not got enough attention now. Thirdly, it proposes variables in the assessment framework that may apply to the assessment across different multilateral development aid and environment aid, and be valuable to compare their difference relevant to country ownership, such as context, understanding, implementation, functions, and significance,

The research paper is organized as follows. Chapter 2 reviews the literature on country ownership mostly the understanding made from the Paris Declaration. Chapter 3 provides a contextual background of the GEF and its institutional structure. Chapter 4 introduces the knowledge and assessment of Country Ownership in the GEF context and then proposes an assessment framework for this term at the multilateral level. Chapter 5 and 6 present the different reforming plan of resource allocation system in different periods with the assessment regarding Country Ownership. Finally, Chapter 8 outlines the main points drawn from the study.

## **Chapter 2: Literature Review on Country Ownership**

This Chapter has three objectives. The first one is to give a broader picture of the definition of Country Ownership. The second is to provide a detailed explanation of this term in the Paris Declaration. The third is to link Country Ownership with power dynamic.

### **2.1. The Diverse Definitions of Country Ownership**

The term of Country Ownership can be firstly found from the World Bank (WB) and the International Monetary Fund (IMF) in the 1980s. But, at that time, it was surprisingly linked with the idea that is “the provision of financing with external experts’ opinions of what is best for a particular country” (Watson et al. 2016: 6), which can be seen as a typical donor driven approach.

However, since the 1990s the concept ownership became to be widely discussed by not only scholars (Johnson & Wasty 1993; Killick 1997; Burnside & Dollar 2000) but also international development agencies such as WB and the Organization for Economic Co-operation and Development (OECD), because the impacts of development aid went to totally different direction. As the WB (1998: 1) concludes, “foreign aid has at times been a spectacular success – and an unmitigated failure”.

After that, the concept of Ownership was raised as one of key solutions to deal with those unsatisfied development aid projects. In WB’s view, the Ownership is “strong domestic leadership and political support” (WB 1998: 4) of recipient countries, which is “what money cannot buy” (WB 1998: 50). At the same period, the OECD’s research also shows a similar view. The OECD states “the efforts of countries and societies to help themselves have been the main ingredients in their success” (OECD 1996: 1). Moreover, it further commits OECD countries to “do the utmost to help by improving the co-ordination of assistance in support of locally-owned development strategies” (OECD 1996: 2).

Since the end of 1990s, there are a number of definitions of country ownership were proposed. A more recent research (Watson et al. 2016: 5) focusing on the study of the diverse definitions of Country Ownership is valuable to be a fundamental material to compare the differences among them.

Watson and his colleagues base on a systematic literature review that includes 30 articles with a definition or description of “country ownership” of development aid (Watson et al. 2016: 1). Those definitions are selected from a relatively broad range, which covers international agency such as OECD; government’s document such as the USA’s Health Systems 20/20; NGO’s work paper such as InterAction; and independent scholars.

Based on Watson and his colleagues' work, the definitions of country ownership can be grouped in terms of four themes: 1) power and legitimacy, it refers to the power dynamic between donors and recipients in the context of development aid (Watson et al. 2016: 8); 2) commitment and responsibility, it refers to the obligations of donors and recipients to engage into the process of the improvement of aid effectiveness (Watson et al. 2016: 9); 3) capacity, it refers to existing capacity and capacity gap of recipients, that need to be supported by donors (Watson et al. 2016: 10-11); and 4) accountability, it refers to a contemporary view of a more equal power between donors and recipients (Watson et al. 2016: 11).

According to this research (Watson et al. 2016), the definition from OECD (the Paris Declaration) covers three themes (Power and Legitimacy; Commitment and Responsibility; and Accountability) and five subcomponents, which shows a wider and better range than others. However, in the author's view, the issue of capacity is also mentioned in the Paris Declaration. It more focuses on to fill the capacity gap through donors' supports (OECD 2005: 3). Moreover, the clarification of Country Ownership in the Paris Declaration wins a worldwide consensus, which was adhered by 137 countries (both donors and recipients) and 29 multilateral and bilateral development institutions (OECD Website 2017). Therefore, it is reasonable to analyze the OECD's definition of country ownership as the start point.

In summary, there are certain lessons drawn from the practice of donor-driven approach to development aid in the 1980s and the 1990s. Country Ownership, as one solution, refers not only to the efforts of developing countries but also to the preference of donors and their policies. The Paris Declaration, as a global consensus, provides a relatively balanced view for both sides.

## **2.2. Country Ownership and the Paris Declaration**

In the OECD, there was a series of high-level forums held for improving aid effectiveness between 2003 and 2011.

It started with the Rome Declaration on Harmonization (OECD 2003) announced at the First High-Level Forum on Harmonization in Rome, Italy. It emphasizes the role of partner countries, such as "a country-based approach that emphasizes country ownership and government leadership" (OECD 2003: 10); "ensuring that development assistance is delivered in accordance with partner country priorities" (OECD 2003: 11); and "expanding or mainstreaming country-led efforts" (OECD 2003: 11).

In 2005, the Paris Declaration on Aid Effectiveness (the Paris Declaration) was produced at the Second High-Level Forum in Paris, France, which lays out a practical, action-orientated roadmap to improve the quality of aid and its impact on development (OECD DAC 2005). In 2008, the Accra Agenda for Action (the AAA)

was approved at the Third High-Level Forum in Accra, Ghana, which intensifies the Paris Declaration and highlights the role of parliaments and civil society (OECD DAC 2008).

In 2011, the Fourth High-Level Forum on Aid Effectiveness was held in Busan, South Korea, which focuses on assessing progress and raised a new concept of Democratic Ownership (OECD 2011: 87). However, there is no consensus on this new term to reach.

Crossing above meetings, the Paris Declaration should be recognized as the key document to understand the concept of Country Ownership. As a globally accepted consensus, it reflects mostly the practice and experience of both donors and recipients in the past decades.

In this RP, the understanding of Country Ownership will be based on the text of the Paris Declaration with a consideration of Accra Agenda for Action.

Although, there are five principles<sup>4</sup> in the Paris Declaration, Country Ownership should be seen as “the first major principle” among them, and “the key pillar of the new aid paradigm” (Whitfield, 2009: 2), while other four principles play an indispensable role for supporting country ownership. This close relationship was also pointed out in the AAA (OECD 2008: 4). It states:

*“...We (OECD countries) call upon all global funds to support country ownership, to align and harmonize their assistance proactively, and to make good use of mutual accountability frameworks, while continuing their emphasis on achieving results...” (OECD 2008: 4)*

In the Paris Declaration, Country Ownership is defined as “partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions” (OECD 2005:3).

From the perspective of developing countries, there are three components in order to enhancing Country Ownership (OECD 2005: 3):

- a) Exercise leadership in developing and implementing their national development strategies;*
- b) Translate these national development strategies into prioritized results-oriented operational programmes;*
- c) Take the lead in co-ordinating aid at all levels in conjunction with other development resources in dialogue with donors and encouraging the participation of civil society and the private sector.*

Based on the definition and above three components, it can be concluded that the understanding of Country Ownership was clarified from a general government efforts

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<sup>4</sup> Country Ownership, Harmonization, Alignment, Management for Results, and Mutual Accountability.

in the 1990s to a more specific clarification, which was added with several adjectives, such as government-led, broad consulted, national priorities-based, results-oriented. Among them, national priority is the central term, which is surrounded by others. All three components can be seen as the activities of developing countries to enhance Country Ownership at national level.

From the perspective of developed countries, they commits to:

- d) Respect partner country leadership and help strengthen their capacity to exercise it. (OECD 2005: 3)

Moreover, related with national priorities, developed countries also commit to “reform and simplify their policies and procedures to encourage collaborative behavior and progressive alignment with developing countries’ priorities, systems and procedures” (OECD 2005: 1). Above commitments can be seen as the action that should be taken by developed countries to improve Country Ownership at bilateral and multilateral levels.

Based on the understanding of Country Ownership clarified by the Paris Declaration, it is difficult to find the understanding applicable enough directly to the circumstance of development aid at the multilateral level. One of the key weaknesses is that the Paris Declaration’s understanding does not include the role of international organizations (IOs). The main actors in the Paris Declaration are partner countries (recipients) and donors. But for a multilateral aid, an IO is necessary to establish the cooperation between donors and recipients. Different interests of developed and developing countries would lead the complexity of strengthening Country Ownership.

### **2.3. Influence of Difference Actors within an IO for Improving Country Ownership**

Regarding multilateral aid, the Principal-Agent model (the PA model) is the most popular theoretical basis to analyze the relationship and interaction among three main actors: donors, recipients, and IOs.

Based on the PA model, states (both donors and recipients) are commonly recognized as “principals”, while the IO controlled by the states is recognized as “agent” (Hawkins et al. 2008: 26). When an IO has many member states, multiple principals (Lyne, Nielson & Tierney 2008: 44) should be considered because each state member will send it own delegation to the IO. Finally, in some cases, the IOs’ role should be considered as not only an agent but also a bureaucracy, Barnett and Finnemore (2004: 3) argue that as a bureaucracy, IOs have “the ability to change the world around them”.

However, a fact should be noted that developed and developing countries do not have the equal capacity to become a principal. Krasner argues that the national power

capabilities of developing countries are profoundly weak internationally than that of developed countries (Krasner 1985: 3). In the circumstance of multilateral aid, this unequal power can further result in the principals of developed countries driving IOs.

Moreover, there are always conflicts existed between developed and developing countries. Since developing countries are willing to change their situation through changing the rules of the game in various international areas, it is in some extent to challenge long-term interests of developed countries (Krasner 1985: 3). Regarding Country Ownership, it is on the process for altering donor-driven approach to a new approach that should consider the concerns of developing countries more. This change cannot happen automatically.

Finally, IOs could provide a great opportunity for developing countries to alter international regime if IO's current structure allows all countries an equal access (Krasner 1985: 75). In this case, the degree of accessibility is the most crucial factor. That is why the common voting system in the United Nations is one-nation, one-vote decision-making procedures (Krasner 1985: 6), which allow developing countries to become real principals.

To analyze Country Ownership in multilateral aid, the RP intends to adopt the work done by Stephen D. Krasner in 1985. He argues that three variables can be used to illustrate "the degree of which developing countries succeeding in altering international regimes" (Krasner 1985: 7). These variables are: 1) the nature of existing institutional structures; 2) the ability to formulate a coherent system of ideas, which set the agenda for international negotiations and cemented Third World unity; and 3) the attitude and power of the North, especially the United States, toward both the demands of the South and the forums in which they have been made" (Krasner 1985:7).

Above initial variables will be further adjusted in terms of the factors of Country Ownership and characteristics of particularly multilateral aid in chapter 4.

## **Chapter 3: Features of the GEF**

This chapter presents the features of the Global Environment Facility (the GEF). For this purpose, the chapter is divided in two sections. The first section presents the uniqueness of the GEF in terms of its mandate, and its catalytic role for global environment financing. The second section analyzes the institutional structure and decision-making system of the GEF.

### **3.1 The Uniqueness of GEF**

#### **3.1.1. The Mandate of GEF**

The GEF is one of the largest international environmental foundations around the world. Since it established in 1991, the GEF has mobilized over \$ 20 billion in the period of past twenty-five years.

The GEF is the financial mechanism for Multilateral Environment Agreements (the MEAs), which include the Convention on Biological Diversity (CBD), the United Nations Framework Convention on Climate Change (UNFCCC), the Stockholm Convention on Persistent Organic Pollutants, the United Nations Convention to Combat Desertification, and the Minamata Convention on Mercury. In addition, the GEF also supports those projects under the name of international waters and sustainable forest management. It is fair to say that the GEF is the only institution that addresses several global environmental issues (GEF 2015: 12-14).

As the financial mechanism of MEAs, the mandate of the GEF is to provide “new and additional grant and concessional funding [to recipient countries] to meet the agreed incremental costs of measures to achieve agreed global environmental benefits” (GEF 2015: 12). From this statement, two concepts should be noted: the first is global environmental benefits; and the second is incremental costs, which will be discussed in the next section.

#### **3.1.2. Global Environmental benefits and Incremental Costs**

In the GEF context, the term global environment benefits refer to the achievement of any of the conventions’ environmental objectives, which is different from the achievement of local environmental benefits (GEF 1996: 1). For each focal area under the GEF, it has its own set of global environmental benefits. For example, reduction of the greenhouse gas emissions is the global environmental benefits of the UNFCCC, and protection of specified biodiversity is the global environment benefits of the CBD. The understanding of global environment benefits is the basic for understanding the concept of incremental costs further.

The term incremental cost is the financial gap between “the expenditure on the GEF

supported activity and cost saving on the replaced or redundant activity” (GEF IEO 2005:84). It means that the GEF grant can only cover the cost for achieving global environmental benefits, and the rest should be mobilize from others through co-financing mechanism.

### **3.1.3. The Catalytic Role of Global Environment Financing Architecture**

According to the rules of MEAs, for example the Article 21 (1) of the CBD (1992) and the Article 4 (3) of UNFCCC (1992), the major donors of the GEF should be developed countries. However, one of constraints the GEF facing is the shortage of financial resource. Therefore, the GEF started to emphasizes its catalytic role to mobilize extra financial contribution. Co-financing is the key way to leverage those extra resources.

In the GEF’s context, the leverage of co-financing has been increased in general. According to GEF 2020 strategy (2015:13), the GEF co-financing ratio has been increased from 1:2.5 to near 1:7 from the GEF-1 (1994-1998) to the GEF-5 (2010-2014). Among the different resources of co-financing, recipient country governments, the GEF Agencies, and the private sector are the main contributors from 2002 to 2014 with 34-45%; 24-29%; and 15-16%, respectively (GEF IEO 2014:25). An increasingly higher co-financing ratio will continue to be aspired by the GEF in the future. On the one hand, it is the reason that the GEF see itself as a catalytic actor in the global environment finance. On the other hand, considered the increasing contribution by recipient’s governments, it reasonable to argue that recipient countries should have more power to influence GEF’s policy formulation.

## **3.2. The Institution of GEF**

The current institutional structure of GEF was formally established after a restructured process in the early 1990s. In the pilot phase (1990-1994), the Global Environment Trust Fund (the GETF), as the predecessor of the GEF, was required by the Para 33.14 (iii) of the Agenda 21 (UN 1992: 302) to restructure itself to

*“ensure a governance that is transparent and democratic in nature, including in terms of decision-making and operations, by guaranteeing a balanced and equitable representation of the interests of developing countries, as well as giving due weight to the funding efforts of donor countries” (UN 1992: 302).*

Above recommendation shows a view that emphasizes the importance of the engagement of developing countries into both decision-making and operation processes. The restructured GEF is echoed this willing.

### **3.2.1. Decision-making system**

The formal governing bodies of the GEF should be the Assembly and the Council. The Assembly is only held once every three years while all member countries can participate. It makes the Assembly hardly possible to be identified as a powerful entity. As Payne (2001: 175) pointed out, the Assembly “meets infrequently, considers only general concerns, and is not the most important within the decision-making structure”. On the contrary, the Council, as the role of decision-making within the GEF, seems to become more important. Payne (2001:175) claimed that the Council is “the most significant entity, which controls most operational policies, and guides project implementation”.

The voting system in the Council demonstrates that the GEF has already recognized the different interests from donors and recipients, and intended to balance them. The Council consists of 32 members: 16 of them represent developing countries, 14 are from developed countries, and the rest two from transition countries. According to the Instrument (GEF 2015), 32 Council members represent 32 constituencies. Among them, ten constituencies are the individual constituency, which means to contain only one member state. The rest 22 constituencies are the group constituency, which means to contain more than one member states. For those individual constituencies, eight of them are developed countries: Italy, Sweden, France, Japan, Germany, Canada, the USA, and the UK (GEF 2017: 1-3). The rests are Iran and China (GEF 2017: 1-3).

The GEF’s decisions can be made in two ways: the consensus; and the formal vote with a double-weighted majority. The latter means “an affirmative vote representing both a 60 percent majority of the total number of Participants and a 60 percent majority of the total contributions” (GEF 2015: 20-21).

The voting system in the GEF was recognized as “an interesting experiment of pragmatic reconciliation” (Boisson de Chazournes 2005: 201) and “an optimal balancing of different interests” (Paynz 2001: 175) for many years. If the number of the representatives of developing countries in the Council is considered only, the argument will seem rational since the representative numbers of developing countries being higher than that of developed countries. However, other scholars (Clemencon 2006; Matz 2005; Boisson de Chazournes 2005) later questioned the effectiveness of the voting system because it has never been used normally until now. Moreover, some scholars (Clemencon 2006; Matz 2005; Marcoux 2012), and further point out that the policy of resource allocation system was actually made in the GEF Replenishment process rather than in the Council.

The Replenishment is a periodical action to mobilize new financial resource of the GEF Trust Fund. The World Bank (WB) is the Trustee. It is accountable to the Council for the performance of its fiduciary responsibilities. Although the paragraph 20 (3) of the Instrument (GEF 2015: 17) clearly points out that “the Council shall direct the utilization of GEF funds, ...and cooperate with the Trustee to mobilize financial resource”. But, in reality, all Replenishment meetings were held by the GEF Secretariat (the Secretariat) and the Trustee. Moreover, the agenda of the

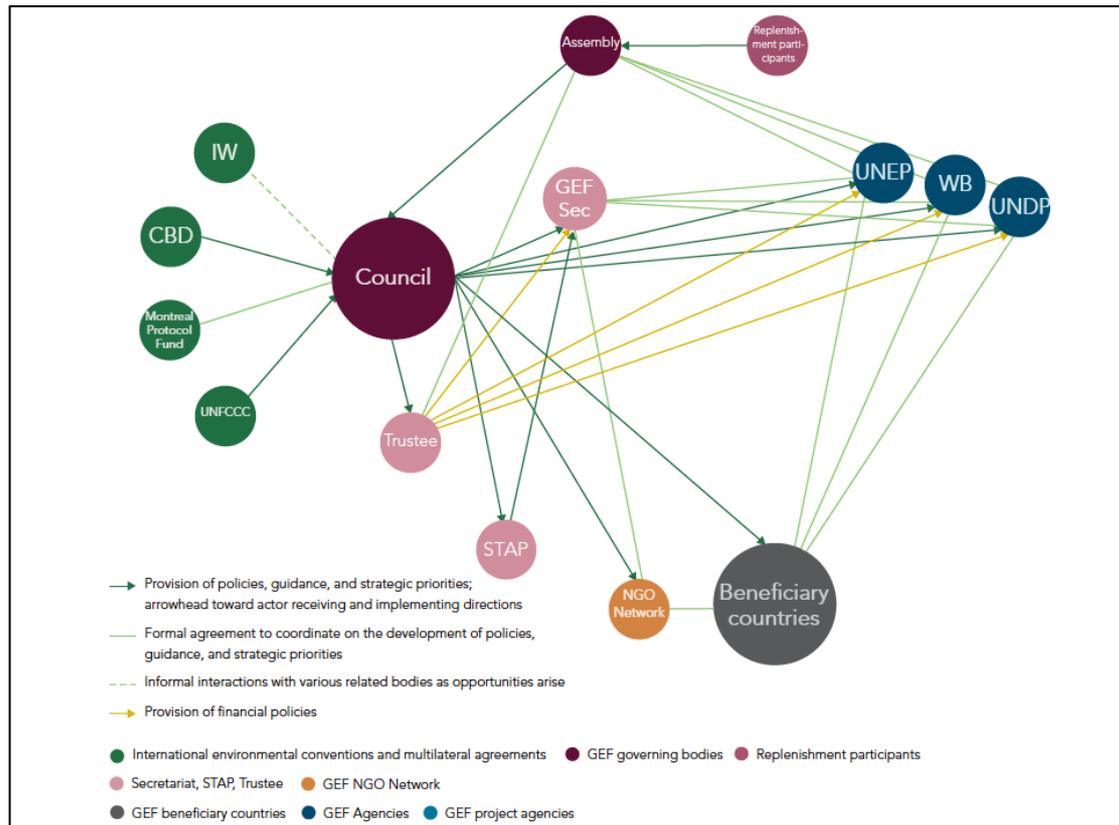
Replenishment is to not only get financial commitments from donors but also draw a strategic direction for the next four years (one replenishment period). The final proposal then submits to the Council for approval.

The negotiation of the Replenishment meetings was a much-closed entity than the Council. It originally only allows those countries that at least commit 4 million SDR to participate. Together with the rules of financial contribution in the MEAs, major donors of the GEF Trust Fund are developed countries. Only a few developing countries are both donors and recipients, such as China, India, etc. It means unlike a balanced power between developed and developing countries in the Council, the Replenishment negotiation is significantly driven by major donors. Therefore, it is reasonable to question, to what extent does the policy proposal produced by a donor-driven entity can consider diverse interests and national priorities of recipient countries properly?

### **3.2.2. Structure of the GEF**

After the restructure process, the institutional structure of the GEF in 1994 can be seen as follows:

**Figure 1: the institutional structure of the GEF in 1994**



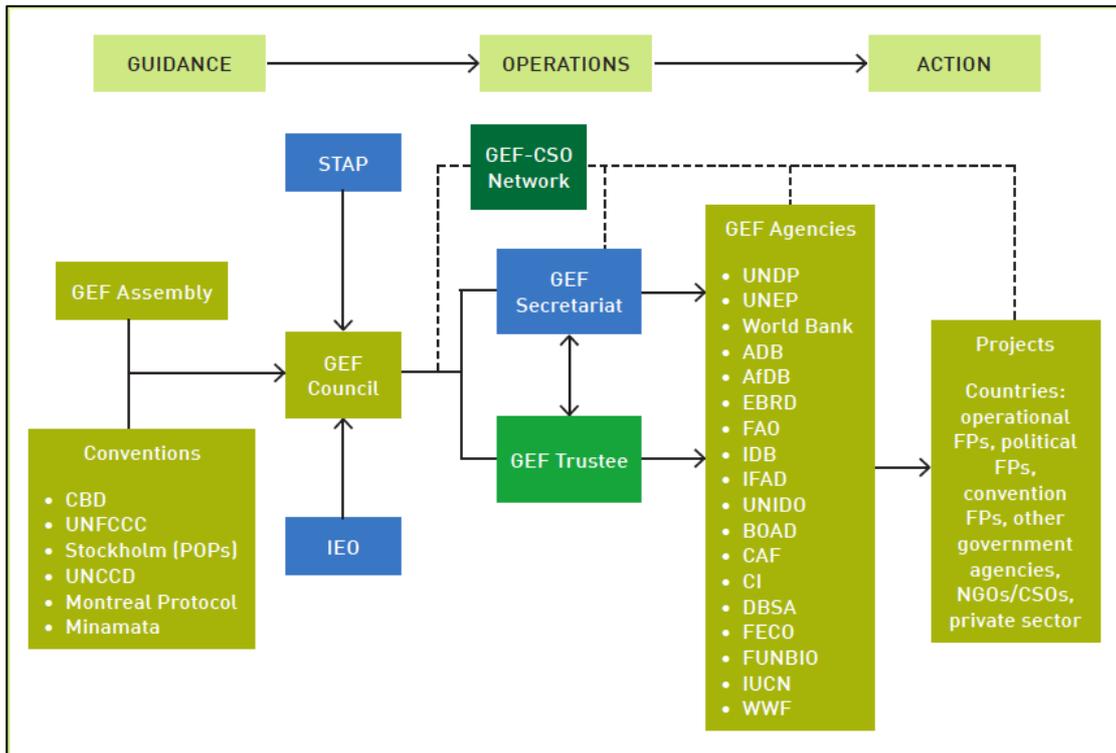
(Source: GEF IEO OPS5: 37)

The network of the GEF was expanded over the past decades: from the internal perspective, the Independent Evaluation Office (the GEF IEO) was established in July 2013; from the external perspective, more MEAs<sup>5</sup> and international agencies<sup>6</sup> were involved. The latest version can be found as follows:

<sup>5</sup> UNCCD, POPs, and Minmata.

<sup>6</sup> ADB, AfDB, EBRD, FAO, IADB, IFAD, UNIDO, WWF-US, CI, IUCN, DBSA, FUNBIO, BOAO, CAF, and FECO.

**Figure 2: The Institutional Structure of the GEF in Present**



(Source: GEF IEO OPS6: 108)

However, although many extensions are shown in this latest version but it removes one key element – replenishment participants who can be found in the 1994 version. There is no clear evidence to explain the reasons behind this missing, but it is reasonable to argue that a full and complete understanding of the GEF cannot exclude the recognition and analysis of Replenishment and relevant actors. They are also the objectives that the RP seeks to contribute.

### **3.2.3. Three Tiers of Management**

Based on Figure 2, it is clear to see three tiers of management within the GEF: guidance, operations, and action. Combined with the information of the Figure 1, the relation among different actors in the GEF looks very complex. Each phase involves different actors.

It is quite clear that at the Action phase, the GEF Agencies and different entities of recipient countries are main actors. At the Guidance and Operation phases, more types of actors are involved. Despite the Assembly and the Council discussed in the Section 3.2.1, the conventions provide broad strategic guidance to the GEF, which is the basic of GEF strategies or policies of each focal area (GEF 2015: 20). Moreover, the Replenishment should be added at the equal position as the Council, even prior to the Council in fact.

Among the rest of actors, the Scientific and Technical Advisory Panel (the STAP) provides scientific and technical advice to the GEF Council on the issues of policies,

operational strategies, and projects (GEF 2015: 19). The GEF's Independent Evaluation Office (the GEF IEO) takes the responsibility on the independent evaluations of GEF impact and effectiveness (GEF 2015: 19).

At the operation phase, there are two main entities: the GEF Secretariat and the GEF Trustee. The World Bank, as the GEF Trustee, administers the GEF Trust Fund (GEF 2015: 25). The GEF Secretariat (the Secretariat) is the administrative body of the GEF. It provides service to the Assembly and the Council, and coordinates overall implementation of GEF activities. The Chief Executive Officer of the Secretariat is also the Chair of the Council (GEF 2015: 18-19). Given the latest evaluation report of the GEF shows "an increasingly dominant role" of the Secretariat (GEF IEO 2017: 109), it will be one of the objectives in this RP. The understanding of different actors is the basis of further assessment framework in Chapter 4.

## **Chapter 4: The Assessment Framework of Country Ownership in the GEF Context**

This Chapter proposes an assessment framework through two sections. The first section outlines the general status of Country Ownership in the GEF, which covers the definitions and explanation of Country Ownership and relevant concept “Country Drivenness”; applicability of the Paris Declaration, and current assessment range. Combined with the Chapter 2 and 3, an assessment framework will be raised in the second section.

### **4.1. The Country Ownership in the GEF**

#### **4.1.1 Country Drivenness and Country Ownership**

In the GEF context, there are two terms “Country Driven (or Drivenness)” and “Country Ownership”, that are related the meaning of Country Ownership under the Paris Declaration.

The term Country Driven (or Drivenness) seems to appear earlier than the term Country Ownership. It can be found firstly in <the Instrument> (GEF 2015), which was initially published in 1994. In this document, country driven was mentioned in the paragraph 4 as follows:

*“The GEF shall ensure the cost-effectiveness of its activities in addressing the targeted global environment issues, shall fund programs and projects which are **country-driven** and based on national priorities designed to support sustainable development and shall maintain sufficient flexibility to respond to changing circumstances in order to achieve its purposes”. (GEF 2015:12)*

In 1998, another GEF document introduced the concept “country Ownership” and made a distinction between country drivenness and country ownership. The former refers to “determine the extent to which projects arise from the country’s own priorities” (GEF 1998:7); and the latter refers to “determines the interest and enthusiasm with which countries support GEF project” (GEF 1998:7).

Although both of concepts focus on the GEF projects at national level, the country ownership more relates to the public involvement in the GEF (GEF 1998: 7); and the country drivenness more relates to the role of GEF focal point for the country level coordination (GEF 1998: 2). For enhancing the country ownership, this document suggests “quantitative and qualitative indicators of stakeholder involvement at different stages of the project cycle” should be developed (GEF 1998: 10). For strengthening the country drivenness, “country-level coordination” should be supported (GEF 1998: 10).

In 2002, the GEF OPS2 reviewed these two concepts, and it emphasizes that they “are

related but not synonymous” (GEF IEO 2002:50). It explains that a GEF project “may not be country-driven in origin, but strong country ownership can evolve if project stakeholders support its objectives and implementation and find it valuable and consistent with country priorities and needs” (GEF IEO 2002:50). It is the first time that the term National Priorities was linked with country ownership.

It further claims that since “more GEF activities become country-driven, there will be more opportunities for governments to integrate these activities into the larger context of their own national development and environment priorities” (GEF IEO 2002:50). Since then, country ownership of GEF projects was seen as the tool to integrate the global environment objectives with national policies (GEF IEO 2002:50).

Furthermore, the latest definition of country ownership can be found in the GEF Overall Performance Study Four (GEF IEO 2010: 60), it refers to the extent “which GEF support is embedded within national or local priorities”. The meaning of “priority” is expanded to include both the national and the local.

#### **4.1.2 Applicability of the Paris Declaration to GEF**

The discussion of whether the GEF formally adhering to the Paris Declaration was one of the agendas at the 36th Council meeting in November 2009. During the meeting, the Council members firstly discussed the understanding of Paris Declaration in the GEF context. Although many Members welcomed the principles proposed by the Paris Declaration and the Accra Action, some Members also pointed out that not all principles; indicators and targets can directly apply to the GEF (GEF 2009: 3).

During this meeting, a statement of the impacts of the Paris declaration is worth to pay attention. It states that one of the key impacts of the Paris Declaration is to “emphasize greater recipient control over the funds provided for development, thus encouraging donors’ attention on upstream points in the policy process” (GEF 2009: 4). This statement is also the reason for the author to choose Country Ownership as the theme of this study, because only the principle of Country Ownership can relate recipient countries with policy formulation and decision-making at the multilateral level.

Whether developing countries participate in the GEF’s major decision-making is still a problem. The GEF Constituencies and the voting system show the concern to balance power of developed and developing countries. Until now, the implementation of country ownership in the GEF remains limited. Concerning the institutional characteristics of the GEF, there are two shortages as country ownership in the sense of the Paris Declaration applies to the GEF. First of all, the GEF’s Country Ownership does not clearly expand its range from the national level to the multilateral level, especially to decision-making at the multilateral level. Secondly, even at the national level, country ownership cannot represent a whole meaning in the sense of the Paris Declaration. The leadership of government was under the term of Country Drivenness.

Both of the shortages will be investigated in the research paper then.

#### **4.1.3. Assessment of Country Ownership by the GEF IEO**

Prior to the appearance of country ownership, the first introduction of Country Driven in the GEF is to <the Instrument>. As firstly included in the OPS-1 report, country-driven was assessed as one measurement of “GEF policy issues at country level” (Porter et al. 1998: 98). It aims to assess “the degree to which the identification and implementation of projects is country-driven” (Porter et al. 1998: 98).

The assessment of Country Ownership can be found firstly in the OPS-2 report (Christoffersen et al. 2002), where Country Ownership became one issue “country ownership and sustainability of results” to be assessed. The assessment focused on measuring “how well GEF operations are integrated with national environmental and development priorities and action”, examining “whether the cooperation and coordination arrangements between the GEF Secretariat, the [Implementing] Agencies and the recipient countries have facilitated ‘Country Ownership’ of projects”, and assessing “the effectiveness of the country coordination of GEF efforts and the GEF Focal Point system” (Christoffersen et al. 2002:117). From the OPS3 to OPS6, Country Ownership maintains a major theme for the evaluation of program performance, outcomes, and impacts. The measurement of this theme can be concluded as follows.

**Table 1: Comparison of Measurement on Country Ownership from OPS2 to OPS6**

	<b>Key Issue</b>	<b>Evaluation Question</b>
OPS-2 (2002)	Country ownership and sustainability of results	How well GEF operations are integrated with national environmental and development priorities and action. Examine whether the cooperation and coordination arrangements among stakeholders have facilitated country ownership of projects.
OPS-3 (2006)	Sustainability of Results	To what extent do country ownership stakeholder involvement in project development and execution, and the generation of local benefits improvement the sustainability of activities supported through the GEF.
OPS-4 (2010)	Relevance to national priorities	The degree to which the GEF supports the development of national priorities; The degree to which the GEF supports the implementation of already established national priorities.
OPS-5 (2014)	Reform processes	To what extent have the major reform processes of the GEF achieved their objectives, following the key principles of enhanced country ownership and improved effectiveness and efficiency?
OPS-6 (2017) <sup>7</sup>	Country ownership and drivenness and GEF’s contribution to changes in country policy and regulations	What trends are evident from the country portfolio evaluations in regards to ownership and country drivenness.

(Source: information collected from OPS2, 3, 4, 5, and 6)

<sup>7</sup> The OPS-6 report is the draft version now.

Based on Table 1, in spite of a clearly continuous concern of Country Ownership, another fact should be noted is that: 1) the concern of Country Ownership remains at the project implementation phase; 2) Country Ownership is only implemented at the national level, and less at the multilateral level.

#### **4.2. Assessment Framework of the implementation of Country Ownership in the GEF**

As mentioned in Chapter 3, a wide partnership network and three tiers of management result in the complexity of assessment. It means to involve different actors with different roles at the different phases.

Within the GEF, country ownership refers to recipient ownership in essence. A full assessment framework for the implementation of country ownership should be built on two dimensions. The Dimension One is the spatial scale of GEF's affairs. The Dimension Two is the category of stakeholders: how they are involved on the Dimension One.

For the Dimension One, the spatial scale of GEF's affairs can be divided into two levels. The Dimension One (A) is at the national level, which focuses on project-level affairs of recipient countries. The Dimension Two (B) is the multilateral level, which mainly focuses on the affairs of policy formulation and decision-making during the GEF's replenishment negotiation.

For the Dimension Two (B), the member countries of the GEF can generally be divided into two groups, namely developed countries, and developing countries. The former usually act at the position of donors, and the latter usually at the position of recipients. Both of them share common interests, i.e., global environmental benefits on the one hand, and respectively seek its own interests different with each other on the other hand. Moreover, another fact should be noted is that most of the developed countries and only a few of developing countries can be both the Council Member and the Contributing Participant of the Replenishment negotiation.

For the Dimension One (A), there are three features can be concluded. First of all, based on Figure 1, donor country governments do not directly involve in the implementation of GEF projects or programs at the recipient national level. They can exert their influence on country-level projects through decision-making and policy formulations. Secondly, based on Figure 2, recipient domestic agencies and the GEF Agencies are the main actors for the GEF projects implementation at the national level. Thirdly, the behavior of different domestic actors and GEF's implementing agents and types of projects can exert different influences on the implementation of projects. It is what OPS reports did for the assessment in the past. It would be better to do more case by case. Therefore, the key question of this research paper can be formulated: to what extent does the Country Ownership, as a fundamental principle,

can affect the negotiation of the GEF's resource allocation system through different actors? The main objective should be narrowed down to the issues of Country Ownership at the multilateral level especially on policy formulation and decision-making.

For the Dimension One (B), there are two negotiation platforms: the Council and the Replenishment. Both of them consist of the representatives from developed and developing governments, but with different influence on decision-making. Moreover, the GEF Secretariat is the administrative body for both platforms, and it seems to become "an increasingly dominant role" (GEF IEO 2017: 109) in recent years. Therefore, there are mainly three kinds of actors involved at the multilateral level: representatives of developed countries, representatives of developing countries; and the GEF Secretariat. It is also valuable to assess: "to what extent do developing countries effectively act as principals", and "to what extent does the GEF Secretariat have its own influence, even as a bureaucracy, on decision-making".

The variables of the assessment framework could be created based on the work done by Stephen D. Krasner in 1985, but have to be adjusted in terms of factors of Country Ownership and features of the GEF.

The amended variables can be proposed as follows:

- 1) The existing institutional structure of the GEF and the role of developing countries, it mainly refers to the institutional structure of the Council and the Replenishment in the GEF, and the role of developing countries on two negotiation platforms.
- 2) The efforts of developing countries, it refers to those efforts done by developing countries to enhance Country Ownership in two platforms.
- 3) The power of developed countries, it refers to the direct and indirect influence of developed countries on two platforms.
- 4) The influence of the GEF Secretariat, it refers to the direct and indirect impact of the GEF Secretariat in two platforms.

The reform of GEF's resource allocation system is employed as a case for the study of the assessment of country ownership implementation. The assessment is only qualitative since there is no enough data to support a quantitative evaluation. The qualitative assessment is mainly based on secondary data, which includes various GEF's documents and reports, comments by different stakeholders, and materials from other IOs involving the development and environmental aid. A few published articles done by independent scholars are also involved.

## Chapter 5: The Resource Allocation Framework and its Relation with

### Country Ownership

This chapter has two objectives. The first one is to explain how the Resource Allocation Framework (RAF) produced. The second one is to assess how GEF's institutional structure, mainly the replenishment meeting and the Council, and different actors worked around the RAF in terms of country ownership.

#### 5.1. Production of the RAF

##### 5.1.1. Inception of reforming resource allocation system

The idea of RAF was proposed in 2002, when thirty years after the First United Nations Conference on the Human Environment in Stockholm in 1972. The *Global Environment Outlooks* (UNEP 2002: 1) showed a less optimistic trend of the global environment. Although there were more multilateral environmental agreements becoming effective, it was found that that “indisputable evidence” showed a “continuing and widespread environmental degradation” in the worldwide (UNEP 2005: 297). The trend still continues as said “global environmental trends continue to spiral downward” (GEF IEO 2010b), and “Scientific insights since 2009 continue to confirm this gloomy perspective” (GEF IEO 2014, p9).

Contrary to the increasing number of MEAs, there was a decreasing trend of Official Development Assistance (ODA), which declined from 0.33 percent of DAC Gross National Income in 1990 to 0.22 percent in 2000, 0.32 percent in 2005, to 0.31 percent in 2009, and 0.30% in 2015 (Tomlinson 2010). It is understandable that total GEF's funding in real terms appears fluctuant with a small decrease, which can be seen through table 5.1.

**Table 2: The New Funding for Each of GEF Replenishment Periods (SDR, in millions)**

	Pilot Phase (1992-1994 )	GEF-1 (1994-1998 )	GEF-2 (1998-2002 )	GEF-3 (2002-2006 )	GEF-4 (2006-2010 )	GEF-5 (2010-2014 )	GEF-6 (2014-2018 )
New Funding	615.45	1438.07	1445.30	1754.29	1567.49	2311.19	2460.37

(Source: GEF 2015: 132-148)

For solving the problems of underfunding, there are two options for the GEF to choose. The first one is to expand the donors and mobilize more resource from each; and the second one is to improve aid effectiveness. Although both options are feasible, with the consideration of impacts of temporarily international financial crisis and slow global economic recovery, the latter may be more appropriate. This option is also usually adopted by international agency of development aid, including environmental aid (GEF IEO 2005). Additionally, *the Paris Declaration on Aid Effectiveness* (2005) became a world widely accepted consensus both states and

international organizations. All mentioned above impact the GEF to start its reform on resource allocation system.

### **5.1.2. RAF: a performance-based allocation system**

In general, there are two types of resource allocation system among international development agencies. The United Nations agencies tend to use a need-based allocation system, while the international financial institutions, such as WB and other development banks, tend to use a system that combines needs and performance indicators. In the 21st century, the performance-based allocation (PBA) is considered more beneficial to recipients in terms of the improvement of transparency and resource accessibility, “because it is determined by a formula with stated variables and stated weights” (GEF IEO 2009: 31).

The initial idea for creating a PBA system in the GEF was introduced by the representative of the USA during the last stage of the GEF-3 Replenishment negotiation (GEF IEO 2009), which aimed to bring greater effectiveness to international assistance programs (cited by GEF IEO 2009:39). It, as part of policy recommendations, was finally submitted to the Council approval. According to the recommendation, the system should “be based on recipient performance, which includes recipient capacity, policies, and practices most applicable to successful implementation of GEF projects” (GEF IEO 2005: 229).

The development of the RAF was a response to the policy recommendations of the third replenishment of the GEF, which requested the GEF Secretariat to “work with the Council to establish a system for allocating scarce GEF resources within and among focal areas with a view toward maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices world worldwide” (GEF IEO 2005:228).

## **5.2. Key Features of the RAF**

There are a number of key features of the RAF that were questioned by Council members during negotiation, and further became the issues that were evaluated by the GEF IEO.

### **5.2.1. Indices and Calculation**

Indices and calculation constitute the main body of the RAF. The indices include GBI (GEF Benefits Index) and GPI (GEF Performance Index), with a weight of 0.8 and 1.0 respectively. Based on them, a Country Score can be formulated as

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

In terms of GBI, since there are only two focal areas included into the RAF, each focal area has its own GBI index. They are shown as GBI<sub>BIO</sub> (GBI for Biodiversity) and GBI<sub>CC</sub> (GBI for climate Change) respectively.

In terms of GPI, it includes PPI (Portfolio Performance Indicator), CEPIA (Country Environmental Policy and Institutional Assessment Indicator), and BFI (Broad Framework Indicator) with weights 0.2, 0.7 and 0.1 respectively. Thus a country's GPI can be formulated as

$$\text{GPI} = 20\% \times \text{PPI} + 70\% \times \text{CEPIA} + 10\% \times \text{BFI}$$

Based on above two indices, a Country Share can be calculated as following:

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

The country share is basic line to classify country categories.

Among the indices, the concerns mostly relate the weights of the indices and too complicated index system itself.

### **5.2.2. Country categories**

According the calculation of country share, all recipients should be classified into two categories: countries with individual allocation; and group countries sharing one resource pool. In the focal area of biodiversity, there are 57 countries with the individual allocation, and 93 countries sharing a group allocation. In the focal area of climate change, 46 countries have individual allocations, while 115 countries share numerous group allocations (GEF IEO, 2009:82).

### **5.2.3. 50% rule**

At the mid-point of the GEF-4 replenishment period, the remaining resource will be reallocated to all recipient countries by using updated GBI and GPI data. The allocation for all country categories will be adjusted by this rule (GEF 2005a: 6).

### **5.2.4. Floor and Ceiling**

It refers to the minimum resource and the maximum resource for a recipient country in one focal area. When based on the calculation of country share, one country's preliminary allocation is less than \$ 1 million, its adjusted allocation will be raised up to \$1 million. The ceiling for the biodiversity focal area is 10 percent of total focal area resource, which 15 percent for the climate change in one country. According to historical data, there was no country exceeding the ceiling in the focal area of biodiversity, while only China in climate change was over the ceiling in the past (GEF 2005a: 4).

### **5.2.5. Set-aside**

It happens in the stage of preliminary allocation. 5 percent of focal area resources for global and regional allocation, and another 5 percent for small grants program and cross cutting capacity building activities. The main concern of this feature is whether

the percentage is set properly (GEF 2005a: 4).

### **5.3. The Negotiation Process of RAF**

The GEF resource allocation was always discussed and treated within GEF replenishment negotiation since the allocation and the replenishment interact as both cause and effect. The initial timeline set for the RAF was six months. It was highly unrealistic in hindsight. In fact, the whole design and development of the RAF were actually taken over three years from May 2003 to September 2006. During this period, despite normal council meetings and replenishment meetings, there were also two special Council meetings and several seminars and consultations held.

The negotiation started from 21st Council meeting in May 2003. Following the requirement of the Council, a working group was established and chaired by the GEF Secretariat, which consisted of 10 members nominated by Council Constituencies and two PBA experts. The mission of this working group is to “prepare elements of a PBA framework” (GEF IEO 2009: 39).

The main contributions of this working group are two recommendations raised in the 22nd Council meeting. The first one is that the allocation system should be based on both performance and needs of recipients; and the second one is that the allocation system should only aim at two focal areas, biodiversity and climate change, because of the limitation of time and data availability. These two suggestions are also the milestone of the RAF negotiation (GEF IEO 2009: 39). After the 22nd Council meeting, the GEF Secretariat began to take the responsibility to develop the framework further, while the working group was disbanded (GEF IEO 2009: 3). There were four controversies around the RAF negotiation worthy to note.

#### **5.3.1. The Controversy between Donors and Recipients**

The first controversy took place between donors and recipients.

A letter of the USA shows a typical view of donors regarding to the PBA system. It states “our strong belief is that these (PBA) systems bring greater effectiveness to international assistance programs” (cited by GEF IEO 2009:39).

On the contrary, the developing world generally disagreed to adopt a PBA system in the GEF allocation system. A letter<sup>8</sup> from the Group of 77 and China clearly showed their high concern. It stated:

*“We [G77+China] express our deep concern on the discussion of ‘Performance Based Framework’ which deliberately deviates from the*

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<sup>8</sup> The letter was written on 31 October 2003, and sent to Mr. Leonard Good, who is the Chair of the GEF Council and the CEO of the GEF Secretariat.

*agreements in Beijing, in the Third Replenishment and more seriously from the Instrument” (GEF 2003: 1).*

“The agreements in Beijing” refers to *the Beijing Declaration of the Second GEF Assembly (the Beijing Declaration)*, which was made in 2002. It emphasizes, “GEF activities should be consistent with national priorities and integrated into national planning frameworks, such as national sustainable development strategies and poverty reduction strategies.” (GEF 2002: 3).

Moreover, the Beijing Declaration argues that: “the GEF should enhance its strategic business planning for allocating scarce GEF resources to high priority areas within and among focal areas, taking into account national priorities” (GEF 2002: 4). The Beijing Declaration reflects the consensus of all member states of the GEF. It is clear that in this declaration, there is no word on link performance with resource allocation. That is why the Group of 77 and China expressed their serious concern about it.

Above letters and the Beijing Declaration show a major controversy between developed and developing countries. From the perspective of developed countries, they believe that an allocation system based on a performance-based formula is positive to bring greater effectiveness. From the perspective of developing countries, their concern more focuses on the rules of MEAs and the mandate of the GEF. In their view, the PBA is an additional conditionality, and unacceptable.

### **5.3.2. The Controversy within Each Group**

The second controversy took place within each of groups because different country had its own interests different from others even though they belonged to a same group.

During the debate on the RAF, those countries that held the opposite position included not only developing countries but also developed countries, such as Germany, Belgium, and Denmark. Their opinions were different from the USA, the UK, and France.

The statement by the Council member from Germany claimed that: “We are concerned that these long-standing and resource-intensive discussions have not led to the result we would have needed” (GEF 2005b: 9). A number of conflicts of the RAF were also pointed out by the German statement, such as the questionable efficiency and transparency of the RAF; the possibility to “lead to bureaucracy” by using such PBA rather than cost-effectiveness; not matching the necessity of universal participation; less sufficiently flexible to respond to changing circumstance (GEF 2005b: 9). It argues, “the RAF deviated from fundamental principles of the GEF Instrument” (GEF 2005b: 9). Based on the findings of the mid-term review, German criticism was comprehensive and profound.

The difference of national interests also appeared within the group of recipients, mainly appeared between developing countries with a big individual allocation and

group allocation countries. The evidence can be found from their joint action. At the beginning of the debate on the RAF, a letter from the Group of 77 and China clearly showed the consistency of their interests. When the RAF had to be approved, there were less joint actions than before. Only one Council member from the developing countries clearly expressed their concern (GEF 2005b: 10-11). There is no evidence to show whether there is another country especially big developing countries did the same action. One possible explanation seems to be that the implementation of RAF had less negative influence on those big developing countries.

### **5.3.3. The Controversy of the Replenishment Negotiation**

The third controversy refers to the Replenishment negotiation platform.

The RAF was negotiated not only at the Council meetings but also at the Replenishment meetings. Although the Replenishment platform is not a formal decision making entity, it owns a high influence to the Council. On this platform, major donors such as the USA, the UK, and France have their unignored effects to push the RAF proposal going through (Marcoux et al. 2012). Scholars very concerned about this issue. Some of them (Clemencon 2006; Matz 2005; Boisson de Chazournes 2005) argue that it is evident that the resource allocation strategy actually was made in the GEF replenishment process rather than in the Council. Finally, the RAF had to be approved under a severe pressure by the representative of the USA who threatened to reduce 50% of its contribution if the RAF proposal cannot be approved (Marcoux 2012: 18).

Given the Replenishment meetings was rather closed. It originally only allows those Contributing Participants to join. It means only those countries that at least commit 4 million SDR to act as contributors can participate in the Replenishment negotiation meetings. According to the country list of the GEF-4 replenishment, there are 33 countries that commit their contribution. Among them, 25 are developed countries; 8 are developing countries. It implied that developing countries had less opportunity to express their concerns at the platform of Replenishment negotiation. This may be the cause why the negotiation was considered less transparent.

### **5.3.4. The Controversy of Transparency**

The fourth controversy related to transparency during the negotiation process. Although transparency together with other principles such as simplicity, pragmatism, cost-effectiveness, comprehensiveness, country-drivenness, and equal opportunity for all recipient countries to access GEF resource, have been recognized at very early stage of the negotiation, the results of implementation are very unsatisfied (GEF 2009: 32).

Despite the closed negotiation in the Replenishment meetings, the negotiation process was full of political compromises and trade off with less transparency. For instance,

the country ceiling started from 7% in the biodiversity and 20% of the climate change, then fixed to 10% and 15% respectively. Another case is the amount of set-aside. It began with 10% for the SGP and capacity building, and 12% for the global and regional project in each focal area during the first Paris consultation, and then reduced to 5% for each. Furthermore, the 50 percent rule was raised and adopted in the final RAF document without any prior discussion at 26th Council meeting in September 2005. All these issues within a closed context were proved to be questionable later through the MTR.

The negotiation process is very blocked to developing countries. At the 26th Council meeting, Mr. Adolfo Rosellini, the representative of the constituency comprising Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay (hereafter CCS), strongly critiqued the RAF negotiation process at the end of the meeting. He claim that “this document [Technical Paper on the GEF Resource Allocation Framework] is unsatisfactory in content and that we disapprove of the non-transparent and non-inclusive process from which it emerged” (GEF 2005:11), and restated that “the document before us and for which you are requesting out approval is unacceptable to us” (GEF 2005:11). As his requirement, his comments were included as a part of the joint summary of this meeting with a statement that “they [critical Council members] did not object to its approval [RAF proposal] by consensus” (GEF 2005: 2). It, then, becomes the evidence to question how the consensus was made.

It can be concluded that the willing and interests of USA-led donors were embedded in the RAF; core principles of the RAF deviate from GEF Instrument and MEAs, and recipients’ interests and practice; and the negotiation of RAF was less transparent, donor-driven. Its deepest and ultimate cause is, in the author’s view, that the RAF was negotiated without an earnest and serious-minded consideration of Country Ownership.

#### **5.4. The Assessment of Country Ownership during the RAF Negotiation**

The RAF used to be as a notable measure to significantly increase country drivenness within the GEF (GEF IEO 2014: 43). However, it is unfortunate that the RAF was flawed in many regards (GEF IEO 2009). A comprehensive cause analysis was provided by the Midterm Evaluation of the RAF in July 2009 (GEF IEO 2009). The fundamental cause should focus on country ownership which was really too little during the RAF negotiation. Now, the negotiation of the RAF can be viewed as a quite valuable test to examine how the country ownership is possible to play a role within the GEF decision-making. Four variables are assessed as follows.

##### **5.4.1 GEF’s Institutional Structure and the Role of Developing Countries**

During the RAF negotiation process, several kinds of meetings were held. Among

them, Council meetings and Replenishment meetings are key components of the institutional structure in the GEF. Other consultative meetings belonged to temporary arrangement. Based on the information available, the RP here mainly focuses on the behavior of developed and developing countries displayed at the Council and Replenishment meetings.

Based on the list of participators of the Council negotiation, it is clear that there are more representatives from recipient countries than that of donor countries<sup>9</sup> (GEF 2007: 9). All representatives acted as the Council members, and have equal rights. In terms of voting system, the decision can be made through the “double weighted majority” approach. Nevertheless, the RAF proposal was finally approved through a consensus. It means the voting system is less useful to deal with a complex and important decision-making. Moreover, as argued in the Section 5.3.4, less transparency was a seriously negative problem during the negotiation process, including the Council meetings. The statement of the CCS representative<sup>10</sup> at the 26<sup>th</sup> Council meeting clearly shows the fact how the RAF proposal was blocked from and unacceptable for many developing countries until the final stage.

As to the Replenishment negotiation, there was much less room for developing countries to participate. As mentioned in the section 5.3.3, only eight developing countries<sup>11</sup> were able to join the Replenishment negotiation meetings with a total financial commitment of SDR 37.82 millions (GEF 2015: 145-146) that is rather small in comparison with SDR 1529.67 millions of 23 developed countries. From the perspective of either country number or total contribution, the power influence of developing countries cannot compete with developed countries.

It can be seen that the Replenishment negotiation as one the major components of the GEF institutional structure at that time was less equitable and transparent, and did not consider or paid an attention to Country Ownership.

#### **5.4.2 Efforts by Developing Countries**

As showed in the Section 5.3.1 and 5.3.2, there is less evidence of collective action organized by the Developing World against the RAF, despite the letter from the Group of 77 and China. Of course, it might be due to the rather limited information of RAF negotiation process from the GEF website.

With the considering of restricted entrance requirement of the Replenishment meeting and the RAF negotiation, the efforts of developing countries could only focus on what they could do at the Council meeting, and only the CCS representative clearly showed a serious attitude to criticize the RAF proposal. There was no evidence that other representative coming from developing countries acted in a similar way.

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<sup>9</sup> 18 as recipient constituencies, and 14 as non-recipient constituencies

<sup>10</sup> The details can be found in the section 5.3.4

<sup>11</sup> Brazil, China, India, Mexico, Nigeria, Pakistan, South Africa, and Turkey.

What was worthy to note is another fact – the role of China at the Replenishment meeting and the Council meeting. China is the only developing country who can formally participate in both the Council and Replenishment meetings. It means China is the only developing country who has chance to know most of details about the RAF negotiation. However, according to the information found from the GEF website, China did not hold a position of strongly questioning the RAF proposal. It is reasonable to assume that the final RAF proposal was acceptable to China. Thus, China did not play a proactively critic of RAF proposal.

It can be concluded that because of the constraints for accessing Replenishment negotiation, there is less efforts that the developing countries can do to enhance country ownership during the RAF negotiation. Different interests among developing countries might cause the difficulty to unify.

#### **5.4.3. Power and Influence of Developed Countries**

The strong influence of the USA on the GEF affairs was extremely evident as mentioned in the Section 5.3.3. The USA influence can be found at the different stages of negotiation: to propose the idea at the beginning stage, to guiding the negotiation direction during the process, and to push the final approval with a financial threat at the end. The influence was firstly displayed through the Replenishment negotiation, and then led to decision-making at the Council meeting. The USA used to be the most significant contributor to the GEF. Until the GEF-4, its contribution accounted for around 20 percent for each replenishment period (GEF 2015:139-145). If the USA withdrew its contribution, the GEF would face a severe decline of the new resource, and might cause the failure of GEF replenishment. Therefore, the USA held a powerful position of dominating the GEF policies and strategies.

Moreover, the voting system of the council is a “double weighted majority” approach also shows a possibility for donors achieving the willing because the contribution of major donors was dominant in the GEF replenishment history. In terms of RAF proposal, as mentioned in the section 5.3.3, the UK, and France are recognized at the same position as the USA (Marcoux et al. 2012). The contribution of these three countries already achieves SDR 518.76 million, which is around 33% of the total new resource in the GEF-4 (GEF 2015:145-147). Although only the threat of the USA can be found from scholars’ work (Marcoux et al. 2012), it is reasonable to argue those major donors have a significant influence on both Council and Replenishment platform.

It can be seen that the donors’ awareness of country ownership, especially some major donors, at that time was rather weak.

#### **5.4.4. The Influence of the GEF Secretariat**

Because a set of reforms from the GEF-4 (2006-2010) including RAF, the role of GEF Secretariat remarkably changed, although “there are no clear terms of reference in place delineating its new role and responsibilities” (GEF IEO 2009: 16). The changes can be found in three aspects:

First of all, the GEF Secretariat was requested to take over the responsibility to organize and develop the RAF since 2003 (GEF IEO 2009: 39). It becomes a technical support entity rather than an administrative entity before.

Secondly, it can be found that the Secretariat owns an increasing influence at the project / program level. Prompted by the RAF together with other reform measures such as Programme Approach, new Project Cycle, new rules and criteria for project selection and cancellation, etc., the GEF Secretariat becomes more powerful on the approval of projects. (GEF IEO 2009: 44).

Thirdly, the influence of the Secretariat can also be identified at the international level. Based on its experience of the RAF development, the Secretariat began to support the CBD’s secretariat to develop its own resource mobilization strategy in 2008 (GEF IEO 2009:35).

Nevertheless, it can be seen that country ownership was less considered by the Secretariat at that time.

#### **5.4.5. Summary**

In summary, during the RAF development and implementation, “the inherent conflicts between the criteria of global environment benefits and country-specific sustainability needs” (GEF IEO 2009: 14) can be found at the level of GEF projects and programs. It further confirms the fact that the interests and priorities of developing countries, i.e. country ownership, did not be considered appropriately during the development of RAF. It implies that the GEF institutional structure, especially the Replenishment meeting, rather lacks of the consideration of country ownership, particularly speaking, lacks of developing countries’ involvements, namely lacks of rights to be informed, rights to speak, and rights to participate.

## **Chapter 6: System for Transparent Allocation Resources and its Relation with Country Ownership**

This chapter has two objectives. The first one is to explain how the System for Transparent Allocation of Resources (STAR) produced. The second one is to assess how the GEF's institutional structure and different actors influence the development of STAR in terms of country ownership.

### **6.1. Production of the STAR**

#### **6.1.1. Inception**

It has become a common understanding within the GEF circle that the RAF needs to be revised. The reason lies not only in the ex-ante critical comments by GEF's stakeholders, but also more in the ex-post evaluation of the deficits of the RAF exposed after its implementation.

The idea of revising the RAF was initially hidden in the wishes delivered from stakeholders' comments, such as Germany, and CCS. The willing of revised RAF is not only from member states but also recognized by the midterm review (GEF IEO 2009). It implied that the implementation and the revision of RAF seem in sync.

From a practical perspective, the Midterm Review of the Resource Allocation Framework (MTR-RAF), done by the GEF IEO in 2009, is thought to have a great influence on the preparation of the STAR (GEF IEO 2014a). Its most important recommendation is to urge: "steps to improve RAF design and indexes for GEF- 5 should be taken now" (GEF IEO 2009: 17). OPS 4 report (GEF IEO 2010) also claimed that "a new system is in preparation for GEF-5, which is currently under discussion", in order to replace implementing RAF which "was too complex, not sufficiently transparent, and too costly, leading to a low level of utilization in many countries; further, it features rigid and skewed implementation rules, resulting in complaints and tensions" (GEF IEO 2010: 7).

All of these comments and proposals show that a revised RAF is essential and urgent for the next replenishment period (GEF-5, 2010-2014). The time for revising the RAF is mature. A new system was expected to be "full public disclosure, transparency, participation, and clear responsibilities; simplification of implementation rules; and improvement in the design and indexes to be used" for the GEF-5 (GEF 2014a: 1).

From 2010 until now, there are two versions of STAR for GEF-5 (2010-2014) and GEF-6 (2014-2018) respectively. For easily distinguish them, in the research paper, STAR in the GEF-5 is called "STAR-1", and that in the GEF-6 called "STAR-2". STAR-2 is the latest one.

### **6.1.2. STAR-1 in GEF-5 (July 2010 – June 2014)**

The GEF Secretariat took full responsibilities to develop the proposal of STAR in the GEF-5 to replace RAF. The preliminary plan of reforming RAF can be found firstly at the 2nd meeting of GEF-5 Replenishment held in May 2009. Later, it was also negotiated at the 35th Council meeting in June 2009.

The negotiation of STAR during the GEF-5 Replenishment looked more well-organized and timely than that of RAF (GEF IEO 2010). Before the version was approved at the 38th Council meeting in June 2010, two ad-hoc committee meetings were held for the STAR besides the Council meetings and the Replenishment meetings.

Based on the experience of the RAF negotiation and implementation, the negotiation of STAR-1 looked more time saving and efficient than that of RAF. It only took place at the GEF-5 Replenishment and Council meetings from 2009 to 2010. For the STAR-1 proposal, some of recommendations and conclusions of MTR of RAF were adopted, and comments by various stakeholders were considered as well. Most of the questioned key points of the RAF were fixed in STAR-1.

As the MTR of STAR-1 (2013) concluded, in spite of some exceptions, calculations of allocation were generally “carried out correctly”; communications of STAR-1 between the GEF Secretariat and other stakeholders “were clear and timely”; and implementation of the STAR-1 “was much smoother” (GEF IEO 2013: 9).

### **6.1.3. STAR-2 in GEF-6 (July 2014 – June 2018)**

Based on the implementation of the STAR-1 during the GEF-5 period and the conclusions and recommendations of MTR of STAR-1, the STAR-2 replaced the STAR-1 to be used in GEF-6 replenishment period.

The STAR-2 was discussed mainly in the GEF-6 Replenishment meetings, while the Council meeting only discusses this issue once for approval. During the Replenishment negotiation, relevant information was included in the documents named Policy Recommendation and Programming Directions from the first meeting in April 2013 to the fourth meeting in April 2014. These two documents reported the latest progress of discussion and updating. The STAR-2 was finally approved at the 46th Council meeting in May 2014.

Frankly speaking, the negotiation process of the STAR-2 was smoother than the STAR-1. The reason might be that there is neither structural change nor critical debate. Unlike the RAF of the GEF-4 and the STAR-1 of the GEF-5, there was no extra meeting for the STAR-2. Moreover, there was no requiring the mid-term review of STAR-2 by the GEF Council.

## **6.2. Key Features of the STAR**

The advantage of the STAR over the RAF can be shown through four aspects.

### **6.2.1. Abolishment of group allocation and 50% rule**

Based on MTR of RAF, it is quite certain that the 50% rule and group allocation can be harmful to achieve expected effectiveness, make difficulties for some of small countries to access to GEF resources, and weaken national ownership of recipient countries. Both of them were abolished since STAR-1.

Since then, every eligible country (144 countries in total) has its certain amount of resource in each focal area. The removal of the 50% rule can be viewed “an unqualified success” (GEF IEO 2014a: 6), which makes the implementation of projects more effective and efficient.

### **6.2.2. Expanding the focal areas**

Land degradation was included since the STAR-1. It involves three aspects of global environmental benefits, i.e. land restoration, mitigation and adaptation of climate change, and ecosystem and biodiversity conservation. It is really an integration of global environmental benefits and sustainable development. The developing world favors it and feels encouraged very much, despite some Council member countries, such as Germany, Canada and Switzerland (2009), argued that it is not the right time to include more focal areas.

### **6.2.3. Indexes and weights**

Under the STAR-1 and STAR-2, there was a new index introduced to the calculation. It is the index GDP per capita (hereafter GDP index) with different weight. The purpose is in response to the suggestion of adding a social and economic component to resource allocation system, which was raised in the ad hoc committee meeting in March 2009 and the Replenishment meeting in June 2009. A value of -0.04 was selected for the weight of GDP index in the STAR-1, and the value was increased -0.08 in the STAR-2. This change reduced the influence of the GDP index. Because some SIDSs claim that the GDP index negatively affects their country shares in the STAR-1.

The MTR of STAR-1 shows some positive results on the index adjustments. For instance, the conclusion 1 and 2 affirm the scientific and technical validity of STAR-1 indexes and the effectiveness of the market exchange rate-based GDP index for the LDCs (GEF IEO 2014a: 2-4). However, it also suggests further improvement still needed. The change of the value of GDP index can be seen as an example.

#### **6.2.4. Other Features**

##### **Floor and Ceiling**

The issues of floor and ceiling of each focal area was always a serious concern by recipient countries. The representative of Africa argued that it is one of key issues to make STAR more equitable (2013a: 4). The ceiling was declined from 15% in climate change to 11% in STAR-1, and then 10% in STAR-2. Although lower ceiling and increase floor was becoming a trend from RAF to STAR-1 and STAR-2, it seems still not enough to some recipients. As the representative of Latin American and Caribbean stated a proper floor should be \$10 million for those recipients in this region (2013a: 2).

##### **Flexibility**

The MTR of RAF (GEF IEO 2009: 11) identified the lack of “flexible and dynamic use of resource” in 2009, which was also emphasized by Council members especially for SIDs (GEF 2010: 8). Even though the flexibility had an improvement in STAR-1, it seems still not enough for many recipients. The finding of MTR of STAR-1 (GEF IEO 2014a: 6) shows that “countries with marginal flexibility did not benefit as much” and need to be considered seriously. In STAR-2, the rule of flexibility was simplified further. All country with an aggregate allocation of more than \$7 million can reprogram up to \$2 million from one to other focal areas (GEF IEO 2017:103).

##### **Set-Aside**

The Set-aside is a certain amount of money of each focal area under the STAR, which was used to support three types of programs: convention obligations, global and regional programs, and sustainable forest management. In the STAR-1, 20% of resource of each focal area was used as Set-aside. It was much higher than 5% in the RAF. In the STAR-2, it further increased to 21.7%. One of main reasons behind is the increasing concern on regional and global cooperation.

### **6.3. Improved Transparency of Negotiation**

The GEF, as a financial mechanism, faces a pair of the paramount issue, namely how to collect money and how to deliver the money. For the former, it is termed replenishment of donor countries, and for the latter, it is termed resource allocation for recipient countries. Thus the replenishment meeting becomes a negotiation platform for solving replenishment and distribution in sync.

The allocation and the replenishment interact as both cause and effect. Therefore the GEF resource allocation is always discussed and treated within GEF replenishment negotiation. In general, the proposal relevant to resource allocation is firstly delivered and discussed at the replenishment meeting. In the end, the final version is approved by the Council through a consensus or voting.

Since the replenishment and allocation, as a pair of paramount factors, dominate the GEF's affairs, it is not an overstatement to view the replenishment negotiation as the main platform for decision making of the GEF.

The better acceptability of the STAR results from the manner and atmosphere of negotiation during GEF-5, especially GEF-6 replenishment periods. It can be characterized by one word, transparency. Although transparency was also mentioned as one of the principles in the RAF negotiation, the Chapter 5 clearly shows its failure in reality. The new updated version of resource allocation system even includes this word as an essential element of its new name. The transparency should be understood as disclosing. First of all, the negotiation should be disclosed to recipient countries. It is why the negotiation of GEF-5 and GEF-6 is rather different from previous ones and considerably appreciated. For the GEF, transparency should be a precondition of implementing country ownership at the decision-making level of the GEF. The followings intend to summarize the features of transparency during GEF-5 and GEF-6 replenishment periods.

### **6.3.1. Involvement of more and various actors**

Compared with the GEF-4 Replenishment negotiation where only Contributing Participants attended, the GEF-5 and GEF-6 Replenishment negotiation included more and various actors involved.

In GEF-5 Replenishment, contributing participants “were joined by GEF Council Members and observers from the GEF Agencies, and representatives from the global environmental Conventions and from all four environmental conventions for which the GEF serves as a financial mechanism” (GEF 2009a: 1).

In GEF-6 Replenishment, contributing participants “were joined by non-donor recipient country participants representing Africa, Asia, Eastern Europe, and Latin America and Caribbean, observers from the GEF Agencies, and two NGO/CSO observers representing donor and recipient country-based NGOs/CSOs respectively. Representatives from the four global environmental Conventions for which the GEF serves as a financial mechanism and from GEF Implementing Agencies also attended the meeting as observers” (GEF 2013a: 1).

In the more recent GEF-7 Replenishment in 2017, Mr. Tshering Tobgay, Prime Minister of Bhutan, as the special guest, had an invited speech in the opening session (GEF 2017). It is a clear trend that more non-donors can be involved in the Replenishment with different roles. Various participants mean that different interests allow to be shown on the Replenishment platform, even though they can act as observers only.

### **6.3.2. More Comments devoted by various actors**

Diverse comments were submitted since a wider range of various actors participate the Replenishment negotiation. It is absolutely beneficial to reform GEF's resource allocation system rationally and properly. Moreover, uploading these comments to the GEF website can be also seen as an improvement of enhancing transparency.

More comments can be found from the GEF website. During the GEF-5 Replenishment negotiation period, there were seven comments for the 3<sup>rd</sup> meeting by donors<sup>12</sup> (GEF 2009b), and eight comments for the 4<sup>th</sup> meeting by IAs<sup>13</sup> (GEF 2009c) and EAs<sup>14</sup> (GEF 2009d). During the GEF-6 Replenishment negotiation period, more actors submitted their comments to the GEF Web. There were totally 47 comments. Moreover, non-donor representatives and GEF NGO network became proactive participants to express their concerns and opinions. A full list of comment providers can be found in the Annex I.

### **6.3.3. Replenishment Meetings held in recipient countries**

Before the GEF-6 Replenishment, the negotiation meetings were always held in the World Bank's office, either Washington D.C. or Paris. However, it is the first time that the second meeting of the GEF-6 replenishment was held in India, a country acting as both a contributor and a recipient (GEF 2013b). During current GEF-7 Replenishment negotiation, its second meeting in October 2017 was held in Ethiopia (GEF 2017a), a pure recipient country. Although there is no clear evidence to show to what extent the locality of Replenishment meeting can affect the outcome of negotiation, it should be acknowledged that the selection of locality might provide a valuable chance for donors to touch and recognize the reality of recipient countries.

### **6.3.4. Disseminating Information of Negotiation**

Information of negotiation, including information of updating resource allocation proposal, was usually integrated in two key documents, *Policy Recommendation* and *Programming Direction*, during the Replenishment negotiation period. These documents become the fundamental sources of information, not only for decision-making, but also for comments by various stakeholders.

There are also two documents related to the Council meeting. They are *Joint Summary of the Chairs, GEF Council Meeting* and *Highlights of the Council's Discussions*. The latter is a new kind of document that contains the latest and detailed information of negotiation and activities related to important decision-making. Both of them have been included in document list of the Council since the 33<sup>rd</sup> Council meeting in April 2008. It implies that more and more information can be collected and disclosed to stakeholders.

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<sup>12</sup> Australia, Canada, Denmark, Finland, Germany, Switzerland, and USA.

<sup>13</sup> UNEP, UNDP, and WB.

<sup>14</sup> ADB, FAO, IADB, IFAD, and UNIDO

## **6.4. Assessment of Country Ownership during the STAR Negotiation**

The negotiation of the STAR is another good test to examine the role of country ownership for the GEF decision-making. Four issues are discussed in turn as follows.

### **6.4.1. GEF Institutional Structure and the Role of Developing Countries**

Since the Council acts as the formal governance entity of the GEF, its structure and procedure are relatively stable. However, a document titled as *Rules of Procedure for the GEF Council (Rules for Council)* published by the GEF in 2007. It focuses on “the conduct of business of the Council” to follow the guidance of *the Instrument* (GEF 2007: 6). The objective of the document is to make clearer on the responsibility of different actors and procedure of the Council’s operation. It is further beneficial to improve the GEF’s transparency.

Additionally, a new type of Council document *Highlights of the Council’s Discussions* can be found from GEF website. It is not officially included in the *Rules for Council as one responsibility*, but it does provide more details about the negotiation during the Council meeting. It is also helpful for those who cannot join the Council meeting but hope to know more about what was happened during the Council negotiation.

Comparing with the Council, the Replenishment negotiation was clear expanded in number of participators. As mentioned in the Section 6.3.1, the range of non-donor participators continued to be expanded from the GEF-4, to the GEF-5, and to the GEF-6, even to the GEF-7. Until now, at least observers of non-donor recipient country selected from four regions (Africa, Asia, Eastern Europe, and Latin America and Caribbean) can regularly attended the Replenishment meetings. Moreover, the locality selected for the Replenishment meeting becomes another opportunity for developing countries to engage into the negotiation process. As mentioned in the Section 6.3.3, India and Ethiopia have held those meetings in their countries.

Although all above-mentioned changes are just what GEF did in the reality, they have not become formal rules until now. It is undoubted that the improvement of transparency in the GEF is really in the progress. It is also certain for developing countries to enhance their ownership in the GEF’s policy formulation.

### **6.4.2. Efforts of Developing Countries**

Because the Replenishment negotiation is becoming more open to the non-donor recipient countries, there are more and more comments are submitted from their representatives.

All representatives of non-donor recipient countries submitted their comments. The

comments of the second meeting from Africa recipients expressed their strong position opposite to the proposal “competition group allocation system” which is one of proposals in the first version of STAR-2 prepared by the GEF Secretariat. In the comments, they considered the idea of “group allocation” as “ghosts of the past”, and “a disaster for our African countries” (Africa recipients 2013a: 5). The comments of the third meeting mainly focus on three issues: 1) increasing floor for all recipients; 2) increasing the flexibility for the resource allocation between 7 to 20 millions; and 3) the resource allocation for each focal area (Africa recipients 2013b).

The comments of the second meeting from the Latin America and Caribbean (LAC) recipients show the same concern on the issues of “competition group allocation system” and “increasing floor” (LAC 2013b). According to final version of the STAR-2, these concerns were taken into account.

Moreover, the comments from the LAC is also valuable to understand the difference of national priority among the same region and the complexity of policy formulation, because the comments includes not only the view of representative but also the separate views from Argentina, Colombia, Saint Lucia, Peru, and Barbados. Although these countries shared similar concerns on the issues of group allocation and floor, they also have different opinions on other issues. For example, there was a proposed program that targets at Amazon area. The project owned the supports from Amazon countries such as Colombia (LAC 2013b: 24), Peru (LAC 2013b: 26), but other countries in the LAC region prefer a project to focus on chemicals and waste (LAC 2013b: 1).

China submitted its comments for three meetings. Its main concern is whether STAP should set out strategic objectives rather than specific program (China 2013a: 1). On the one hand, this comment again shows the different interests among developing countries, because this type of specific projects was generally accepted by the representatives from LAC and Africa. On the other hand, it is still difficult to produce a conclusion on “specific projects”, since the process of the draft proposal made by the Secretariat remains unclear. In other words, the process of proposal development is less transparent.

The total financial contribution from developing countries was increased from SDR 54.76 millions in the GEF-5 to SDR 67.03 millions in the GEF-6. Among them, China is the biggest one. Its contribution in the GEF-6 is SDR 13.24 millions, which is higher than many developed countries, such as Ireland, South Korea, Luxembourg, New Zealand, and Slovenia.

### **6.4.3. Power of Developed Countries**

Developed countries remain to be the main financial contributors in the GEF-5 and the GEF-6. They are also proactive to provide their comments. Among total 47 comments in the GEF-6 Replenishment process, 30 comments come from developed countries, which is much higher than 11 from developing countries. Although major

donors as a whole still have strong influence to policy formulation because of their financial contributions, there are two changes involving Japan that are worth to note.

First of all, Ms. Naoko Ishii has become the CEO and Chairperson of the GEF since 2012. She used to be the former Deputy Vice Minister of Finance of Japan. Secondly, Japan replaces the USA to be the biggest donor in the GEF-6 with a commitment of SDR 401.97 millions, while the USA is the second biggest one with the commitment of SDR 361.69 millions. It is reasonable to predict that a new CEO from the biggest donor would lead some changes in the GEF's governance.

During the GEF-6 Replenishment, Japan submitted its comments to the first and second meetings. According to the comments, it shows a clear interest on the proposal of increasing funding for chemicals and waste, and the project idea of sustainable cities. Found from the final result of STAR-2, both of them were retained. However, it is still too early to assess to what extent Japanese interests affect the GEF policy formulation. Firstly, the proposal of sustainable cities is included in the draft version of "Programming Direction". It is unclear how this document is produced by the Secretariat. Secondly, the increasing funding on "chemicals and waste" is also the concern by other countries, such as China and USA.

#### **6.4.4. The Influence of the GEF Secretariat**

The influence of the GEF Secretariat has increased to be dominant in the preparation of GEF policy and strategic documents over time (GEF IEO 2017: 109).

This influence was also found and reviewed by one developing country – China. In China's comment, it claimed that the influence of the GEF Secretariat has negatively affected the country ownership. China argues that:

*"[The GEF is] shifting from bottom-up and country-driven approach toward more centralized, top-down, and GEF-SEC [the GEF Secretariat] driven approach. The Secretariat is not only setting goals and objectives under each focal area, but also formulating specific programs and allocates resources to each program under each focal area. We are not sure how that can reconcile with country ownership and country drivenness" (China 2013b: 1).*

Less transparency is one of reasons behinds this argument. A survey done by the GEF IEO shows that only 52 percent of respondents think that the decision making of the GEF Secretariat is properly transparent. It means the transparent problem of the GEF Secretariat remains, and there is an urgent need to improve the Secretariat's awareness of country ownership. .

#### **6.4.5. Summary**

In summary, during the STAR negotiation process, more developing countries had chance to be involved into the negotiation process, especially the Replenishment platform, although they could only act as observers. But many representatives of

developing countries became more proactive and responsible during the STAR-2 negotiation. By submitting comments, some of their concerns also influenced the final proposal making. Moreover, more work should be done further on transparency even though it starts to be improved. In general, comparing with the context of the RAF, country ownership in the context of the STAR is obviously improved. However, country ownership reflects not only on transparency, but more importantly on the participation in decision-making. It means there is still a big gap waiting to be covered.

## **Chapter 7 : Conclusion**

This research paper investigates the role of Country Ownership in the GEF, an IO relevant to the environment and sustainable development, especially at the multilateral level. The study focuses on to assess to what extent does Country Ownership influence the resource allocation policy to reform from 2002 to 2014 through negotiation among relevant stakeholders.

The study begins with an analysis of Country Ownership of the Paris Declaration. According to the uniqueness of the GEF, the shortage of the concept of country ownership in the sense of the Paris declaration was pointed out. The study suggested that the role of Country Ownership, as a fundamental principle, should be re-emphasized at the multilateral level. The focus should be paid to the decision-making system to encourage effective participation of developing countries involving in various ways and secure their national priorities.

Assessment framework for Country ownership implementation is one of key works of the research paper. Among four assessing variables, the GEF's institutional structure should undoubtedly be regarded as the most important. The outcome also matches the argument of Krasner in his book that "the degree of access is the most important factor" (Krasner 1985: 75). The change from the failed RAF to the acceptable STAR mainly results from the reform of GEF's institutional structure, especially at the Replenishment negotiation, even though those changes have not been formal regulated. Additionally, improved transparency of the negotiation reflects the improvement of country ownership, but a systematical assessment of transparency in the decision-making system is still needed.

The study can be contributive to the existing literature in several ways. Firstly, the lessons learnt from the GEF can enrich and advance the Paris Declaration but enriches and advances it. Secondly, the findings might bring the debate of Country Ownership at multilateral level, because current debate is mainly focusing on the issues at the national level. In the author's view, the understanding of Country Ownership at the national and multilateral level should be treated equally important. This study provides some insights into it. Last but not least, proposed variables could be used for assessing other multilateral environmental aid such as Global Climate Fund. Comparing the results of different funds might be worth to understanding Country Ownership better.

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## **Appendices**

### **Annex I: Comments for GEF-6 replenishment**

#### **For the First Meeting:**

Finland, China, United Kingdom, United States, Denmark, Canada, Austria, Belgium, Sweden, Germany, Japan, Mexico, Norway, GEF NGOs Network, Latin America & Caribbean recipients, France, Netherlands, UNEP

#### **For the Second Meeting:**

Africa recipients, Brazil, Canada, China, Denmark, Eastern Europe and Central Asia recipients, Finland, Germany, Japan, Korea, Latin America and Caribbean recipients, Mexico, Netherlands, Norway, Sweden, United Kingdom, United States, UNEP, World Bank

#### **For the Third Meeting:**

Africa recipients, Canada, France, Germany, China, India, GEF NGOs Network, Norway, Sweden, United States.