

**GLOBAL  
ENVIRONMENT  
FACILITY**

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**GEF COUNCIL:  
A PROPOSED STATEMENT OF WORK**

**GEF Council Meeting  
Washington, D.C.  
July 12 - 13, 1994**

**GEF/C.1/2**

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## INTRODUCTION

1. The Instrument for the Establishment of the Restructured Global Environment Facility (GEF) provides for a new governance structure for the GEF. In particular, two new bodies - the Council and the Secretariat - have been established to provide for more consistent oversight and better coordination of GEF activities. The creation of the GEF Council represents a new departure from the *modus operandi* of the GEF pilot phase. The Council will be supported by a Secretariat whose duties include those responsibilities assigned to it by the Instrument and the Council.
2. Pending the appointment of the Chief Executive Officer (CEO) at the Council's first meeting and the establishment of the GEF Secretariat, the secretariat of the pilot program is responsible for preparing the Council's meetings.
3. This report provides background on the expected role and functioning of the Council and outlines a proposed schedule of work for the next twelve months. Clearly, at this stage -- prior to the Council's first meeting -- it is difficult to be precise with respect to outputs and agendas for all proposed Council meetings. Nevertheless, this report proposes a "road-map" to address the main issues likely to be before the Council during its first year. One recommendation emerging from the review is that the Council should meet quarterly in its first twelve months to accomplish the work set out in this report.
4. This report is based upon a number of background documents prepared during the negotiations to restructure and replenish the GEF; is guided by the mandate of the Council as provided in the Instrument to establish the restructured GEF; and takes into account the results of the independent evaluation of the Facility. The three Implementing Agencies have commented on drafts of this paper.

## MANDATE OF COUNCIL

5. The most significant change introduced in the restructuring is the establishment of the Council. Through the Council, Participants in the GEF will exercise oversight of the operations of the Facility. The Council, composed of 32 Members representing constituency groupings of Participants, has the authority to develop, adopt and evaluate the operational policies and programs of the GEF. The Council is responsible for approval of operational policies, work programs, budgets, the project cycle, and operational strategies and modalities. In addition, the Council is the body that will direct the utilization of the GEF Trust Fund resources, keep under review the purposes, scope and objectives of the GEF, and ensure the monitoring and evaluation of GEF policies, programs, and operational strategies on a regular basis. The Council is to serve as the focal point for relations with the Conferences of the Parties to the Climate Change Convention and the Biological Diversity Convention. In order to carry out its functions, the Council is to meet at least semi-annually.<sup>1</sup>
6. The Council will be served by a Secretariat. Responsibilities of the Secretariat include organizing meetings of the Council and preparing documentation and supporting material required

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<sup>1</sup> See paragraphs 15 to 20 of the Instrument.

to facilitate the Council's work. The Secretariat is to play a central role in the operations of the GEF by ensuring the effective execution of the Council's decisions and coordinating the work of the Implementing Agencies. This will include preparation of common guidelines on the project cycle; facilitating preparation of joint work programs, including chairing of inter-agency meetings; and oversight of the implementation of the program activities. The Secretariat is responsible for ensuring liaison between the GEF and other relevant international bodies. The Secretariat is also available to carry out any other functions assigned to it by the Council.<sup>2</sup>

#### ISSUES TO BE ADDRESSED BY THE COUNCIL

7. The past three years have provided valuable lessons which make it possible to anticipate the kinds of issues the GEF and its Council will face in the future. The pilot phase involved the programming of some \$730 million of projects in the four areas within the scope of the GEF<sup>3</sup> as well as operational and policy coordination through the Administrator's office. It included the preparation of STAP criteria<sup>4</sup> as well as more recent work by STAP to develop analytical frameworks<sup>5</sup> in the four areas aimed at guiding the transition from the pilot phase to the restructured GEF. In addition, it included the independent evaluation (see Box 1). All these provide a useful foundation from which the Council can begin to fulfill its responsibilities in the restructured GEF.

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<sup>2</sup> See paragraph 21 of the Instrument.

<sup>3</sup> GEF - Quarterly Operational Report, May 1994

<sup>4</sup> See *Criteria for Eligibility and Priority for Selection of GEF Projects*, prepared by STAP, November 1991 and *Second Report by the Chairman of the Scientific and Technical Advisory Panel to the Participants Meeting*, December 1991, Washington, D.C.: Global Environment Facility.

<sup>5</sup> See *Analytical Framework for Global Warming, Biological Diversity, and International Waters*, May 1993, Washington, D.C.: Global Environment Facility.

## **Box 1**

### **Key Findings of the GEF Pilot Phase Evaluation**

The evaluation report included the following recommendations:

- (a) the GEF mission should be clearly articulated;
- (b) programming of GEF activities should be country-driven and set in the context of sustainable development;
- (c) well defined program objectives and strategies should be developed;
- (d) the leadership, management, and organizational relationships of the GEF should be reformed;
- (e) clear lines of accountability for GEF activities should be defined;
- (f) a permanent mechanism for identifying lessons and promoting their application in GEF programs should be established;
- (g) on the basis of well-defined GEF strategies, common guidelines for the management of GEF operations should be developed and followed by the Implementing Agencies;
- (h) participation in GEF activities at the country and community levels should be improved;
- (i) mutually beneficial collaboration with non-governmental organizations should be promoted; and
- (j) participants should ensure that strategies and program guidelines are in place before new program initiatives are undertaken.

8. **Timing of the Council Meetings.** During the first twelve months of the Council's work, the Council will need to review and approve its own procedures for operation and effective decision making, and the operational strategies, policies and procedures for GEF project development and implementation. It is proposed that the Council hold its regular meetings every April and October. However, if the GEF is to be able to responsibly program and disburse its financial resources and provide the oversight and strategic guidance called for in the Instrument within the time frame anticipated during the restructuring and replenishment negotiations, the Council will need to meet

more frequently during the next twelve months. Taking into account the preparations required for each meeting, it is recommended that the Council meet quarterly between July 1994 and July 1995. A proposed meeting schedule, together with an indication of what key issues will be considered at each meeting, is presented in Annex 1 to this document. More frequent meetings could not be well prepared: less frequent meetings risk delaying the development of a quality work program to fulfill the objectives of the restructured GEF.

9. **Rules of Procedure.** A necessary short-term priority for the Council will be reaching agreement on its rules of procedure.<sup>6</sup> The Secretariat has prepared for consideration at the first Council meeting in July 1994 draft rules of procedure. In addition, the Secretariat has prepared a short technical note reviewing options concerning the relationship of the Council to non-governmental organizations. It is expected that the Council will consider the draft rules and the accompanying technical note at its first meeting, and that the Secretariat, based on Council deliberations, will prepare a revised text of the draft rules for consideration and adoption by the Council at its second meeting.

10. **Role of STAP.** Another short-term priority for the Council is the approval of the mandate, composition and role of STAP.<sup>7</sup> UNEP has prepared an issues paper on STAP for discussion at the first Council meeting. It is expected that the Council will provide UNEP with guidance to develop the proposal further, and that at its second meeting, the Council will consider and approve a decision on the mandate, composition and role of STAP.

11. **Links with Conventions.** The Council also has the responsibility to act as the focal point for relations with the Conferences of the Parties to the Climate Change Convention and to the Biological Diversity Convention. In this capacity, the Council is to consider, approve and review arrangements or agreements with each Conference of the Parties, to receive guidance and recommendations from the Conferences of the Parties, and to ensure compliance with agreed reporting arrangements. The first meeting of the Conference of the Parties to the Biological Diversity Convention will be held from November 28 to December 9, 1994, and the first meeting of the Conference of the Parties to the Climate Change Convention will be held from March 28 to April 7, 1995. At the first meeting of each Convention, the Parties are to consider the relationship of the Convention to the GEF. If the GEF is designated as an entity to serve the purposes of the financial mechanism for the implementation of either or both of the conventions, it will be necessary to consider how to structure the relationship between the GEF and the Convention. The Council may deem it useful to have an initial discussion on the scope of such arrangements and possible mechanisms for facilitating consultation between the GEF and the Conventions at its second meeting. The Secretariat will prepare a note on these issues for the Council's consideration.

12. **Administrative Expenditures.** The Council needs to approve clear guidelines for the preparation and approval of the administrative budget of the Implementing Agencies and the Secretariat. A report will be prepared by the Secretariat for review by the Council at its October

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<sup>6</sup> See paragraph 25(a) of the Instrument.

<sup>7</sup> See paragraphs 20(f) and 24 of the Instrument.

1994 meeting. This report would address, *inter alia*, the following issues: (i) development of a common GEF project database; (ii) reconciling discrepancies in budget year definitions; (iii) reconciling the differential treatment of project supervision and implementation costs; and (iv) defining legitimate GEF administrative cost categories, including those related to project preparation.

13. **Operational Strategy.** The *Evaluation* found that "global strategies for addressing the problems in the focal areas that constitute the primary responsibility of the GEF have not been developed"<sup>8</sup>. In the restructured GEF, the Council shall "approve and periodically review operational modalities for the Facility, including operational strategies and directives for project selection".<sup>9</sup> To prepare a draft operational strategy for consideration by the Council, the Secretariat proposes to carry out comprehensive work on strategies, policies, and procedures, supported by analytical work and consultations, and allowing for the guidance expected from the two conventions to which the GEF is likely to be linked. The Implementing Agencies will be consulted throughout the development of the draft operational strategy.

14. The process could take as much as a year to complete. In the meantime, necessary and urgent actions on a number of global environmental fronts, as well as preparatory work for the implementation of the two conventions need to be undertaken which argues for immediate commitment of some new funds.

15. It is therefore proposed that a **two-track process** be followed which will result in a rational and clearly defined long-term operational strategy while providing a transitional strategy to ensure that high priority activities continue.

16. **The first track** would be the development of the operational strategy itself. The main product of work on this track would be a draft over-arching long term strategy. This would be completed in about a year and would comprise the underlying rationale for the particular role of the GEF, the strategic directions in each focal area in support of convention priorities where available, operational policies on a number of important cross-cutting issues (such as incremental costs and role of private sector), and procedures such as those for monitoring and evaluation. As soon as elements of the operational strategy were ready, they would be presented to the Council for approval.

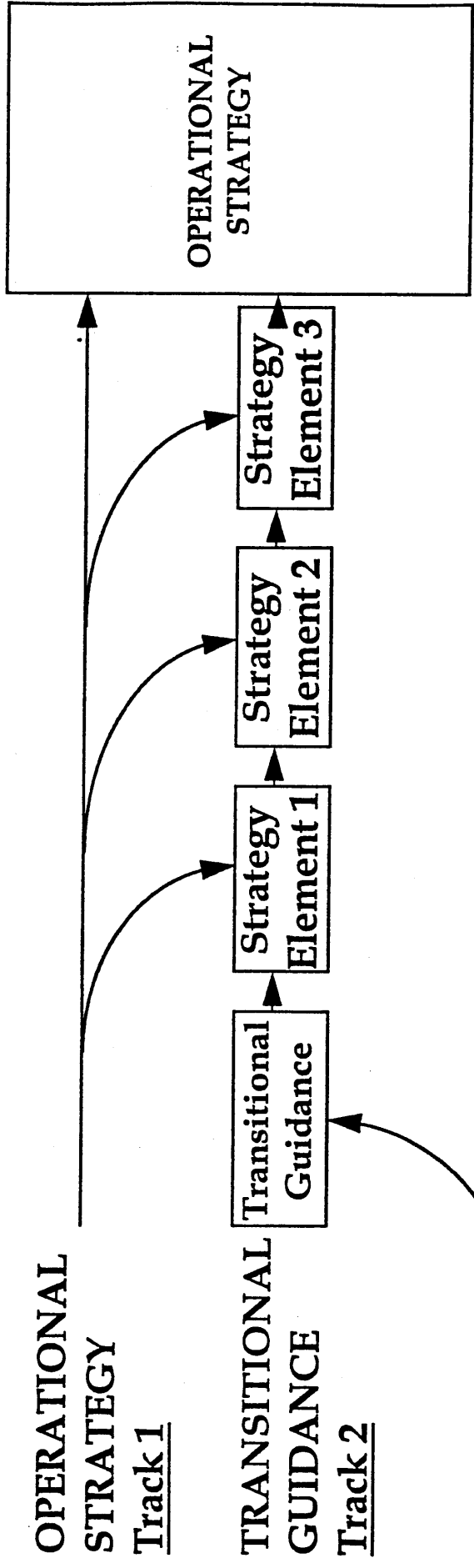
17. **The second track** would be the transitional guidance on project preparation. Initially the transitional guidance would restrict operations to a small number of projects with demonstrated urgency that would be likely to fit in any reasonable future operational strategy and commit only a relatively small portion of GEF resources. Later, as the operational strategy elements are approved and guidance becomes available from the conventions, the transitional guidance would be updated

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<sup>8</sup> *Report of the Independent Evaluation of the Global Environment Facility Pilot Phase.* November 1993. Washington, D.C.:Global Environment Facility

<sup>9</sup> *Instrument for the Establishment of the Restructured Global Environment Facility. Report of the GEF Participants' Meeting Geneva, Switzerland. March 14 -16, 1994. Washington, D.C.: Global Environment Facility*

**FIGURE 1: The Two Track Process and the Interactions Between Tracks**



STAP, Instrument,  
 Evaluation, lessons from the  
 PILOT PHASE, etc

COUNCIL MEETING	July 1994	Oct 1994	Jan 1995	April 1995	July 1995
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to provide additional strategic direction and, therefore, allow higher levels of commitment. The two tracks are shown schematically in Figure 1.

18. The staging of operations according to the transitional guidance was presented in the *Replenishment* paper<sup>10</sup> submitted to the GEF donors during the negotiations for replenishment. In that paper, operations were divided into two stages. The first, transitional, stage "would pre-date the meeting of the parties to the conventions and would provide essential assistance to countries to allow them to gear up for the conventions." The second stage would be implemented after those meetings and "could, therefore, gain any guidance they could provide."

19. The two tracks of operational work are discussed below in some detail.

20. **Track 1: Development of the Operational Strategy.** The primary purpose of the Operational Strategy of the GEF is to provide the overarching rationale for the GEF; its role, consistent with the mandate given it in the Instrument, in each focal area; the manner in which the program priorities, policies, and eligibility criteria of the conventions would be implemented; and the way it would finance activities outside the framework of the financial mechanisms of the Conventions. For purposes of this discussion, it is assumed that the Climate Change Convention and the Convention on Biological Diversity will each name the GEF as its financial mechanism or as an entity of its financial mechanism.

21. **Climate Change.** In relation to climate change, a proposed issues paper: *Strategic Options for GEF Operations in Climate Change* would develop proposals for identifying and programming GEF operations in support of high priority measures set out in the Climate Change Convention. This would be done in two stages. A preliminary issues paper would be submitted to the second Council meeting (October 1994) which would precede the first meeting of the Conference of the Parties (COP) to the Climate Change Convention in March/April 1995. At the first Council meeting after the COP (April 1995) a revised Issues paper would be submitted incorporating any "policies, programme priorities and eligibility criteria" adopted by the COP (Article 11(1) of the Convention).

22. **Biological Diversity.** Likewise, in relation to biological diversity, a proposed issues paper: *Strategic Options for GEF Operations in Biological Diversity* would develop proposals for identifying and programming GEF operations in support of high priority measures set out in the Biological Diversity Convention. This would be done in two stages. A preliminary issues paper would be submitted to the second Council meeting (October 1994) which would precede the first meeting of the Conference of the Parties (COP) to the Biological Diversity Convention in November/December 1994. At the first Council meeting after the COP (January 1995) a revised Issues paper would be submitted incorporating any "policy, strategy, programme priorities and eligibility criteria" adopted by the COP (Article 21(1) of the Convention).

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<sup>10</sup> *GEF Replenishment Paper: Financing Needs for GEF II*, GEF/RE.93/1, May 1993. Paper for Discussion at the GEF Replenishment Meeting in Beijing, China, May 1993. Washington, D.C.: Global Environment Facility. See also GEF Replenishment paper: *Absorptive Capacity in Relation to the Growth of GEF Work Program*, GEF/RE.93/3, September, 1993.

23. Guidance will be expected from time to time from each of the Conferences of the Parties which will need to be incorporated into the operational strategies and work programs.
24. **International Waters.** Because the scope of the international waters focal area is unclear and GEF activities are not explicitly linked to a single global environmental convention, the development of an operational strategy should proceed in two stages. First, a study which would address the issue of coverage will be prepared to clarify Council's views on scope (October 1994). This should be followed by a strategic paper on operational options (January 1995).
25. **Ozone Depleting Substances.** It is not proposed to prepare any issues paper for Council consideration. Policies in this focal area are already established under the Multilateral Fund of the Montreal Protocol.
26. **Monitoring and Evaluation.** The Evaluation report noted that a "permanent mechanism for identifying lessons and promoting their applications --- should be established"(Box 1). Consultations have begun with the evaluation managers with respect to developing both a monitoring and tracking system as well as an established mechanism for evaluation. It is proposed that an issues paper on "Monitoring and Evaluation Guidelines" be prepared for Council consideration (April 1995).
27. **The Project Cycle.** The pilot phase provided a useful learning experience in moving towards a coherent project cycle for the GEF. The *Instrument* provides for the Secretariat to chair inter-agency meetings including those which would lead to operational work programs. Council will review at its first meeting the role of STAP and its potential role in provision of scientific and technical advice to operational work. In addition, a number of issues still need to be clarified with respect to the project cycle. These include the programming of project preparation resources, country coordination, participation, and efficiency in programming procedures and work program formulation (e.g., streamlining of technical reviews). An issues paper on the project cycle is proposed for Council review (October 1994).
28. The development of the Operational Strategy would draw on technical analyses undertaken by the Secretariat and on consultations with the Implementing Agencies, the Convention secretariats and bureaus, and STAP. As appropriate, regional development banks, specialized agencies of the United Nations, research institutes and other non-governmental organizations would also be consulted.
29. The final product would be the *Operational Strategy* itself, to be available in July 1995, which would summarize all the elements which had previously been discussed by Council. The *Operational Strategy* would comprise sections on the priorities and policies (in the four focal areas and in cross-cutting issues such as the role of the private sector, research, and capacity building) and procedures (including programming, the project cycle and monitoring and evaluation). The Operational Strategy document, however, should be considered a "living document" subject to continuous improvement and updating as operational experience is gained and as additional guidance is generated by the Conventions.
30. The suggested timetable for major outputs in the preparation of an operational strategy is set out in Table One. However, work would also need to continue on a number of other issues on

which papers will also be prepared, especially those that cut across the four focal areas. These would include work on capacity building, the role of private sector, and research. Findings and recommendations would be reflected in the issues papers included below.

**Table One: Proposed Key Outputs of the Work on Operational Strategy**

<b>Council Meeting</b>	<b>Paper</b>
July 1994	Council Statement of Work
October 1994	Issues Paper on "The Scope for International Waters Activities"
	Preliminary Issues Paper on "Strategic Options for GEF Operations in Climate Change"
	Preliminary Issues Paper on "Strategic Options for GEF Operations in Biodiversity"
	Issues Paper on "Project Cycle"
January 1995	Issues Paper on "Strategic Options for GEF Operations in Biodiversity"
	Issues Paper on "Strategic Options for GEF Operations in International Waters"
April 1995	Issues Paper on "Strategic Options for GEF Operations in Climate Change"
	Issues Paper on "Monitoring and Evaluation Guidelines"
	Issues Paper on Incremental Costs Guidelines
July 1995	<i>Operational Strategy</i>

31. **Track 2: Transitional Guidance.** It is proposed that the first work program of projects in the restructured GEF be considered in January 1995. In proposing the following transitional guidance for Council's consideration, existing documents such as the replenishment paper, and procedures such as STAP's criteria have been drawn upon. The proposed guidance is discussed below:

32. The priority areas are:

- those for which a case for urgency can be made on global environmental grounds (conceivably, some biodiversity interventions), which meet STAP criteria (set out in

the *Analytical Frameworks*<sup>11</sup>) and which are unlikely to contravene emerging priorities of the conventions (such as development of renewable energy sources);

- those for which policy guidance is already clear (such as protection of stratospheric ozone layer, where the guidelines of the Montreal Protocol are available); and
- those that will support preparation for the conventions (such as capacity-building and country studies), as foreshadowed in the *Replenishment* paper.

33. As noted in paragraph 24, because the scope of the international waters focal area is unclear, it is proposed that no projects be undertaken until the Council has considered and approved a statement of scope (proposed for October 1994).

34. The *Instrument* states that GEF shall “meet the agreed incremental costs of measures to achieve agreed global environmental benefits” in the four focal areas. The issue of incremental costs will be addressed in a more detailed operational strategy paper (proposed for April 1995). Until then the Implementing Agencies will show how they have estimated the incremental costs. In particular, the Agencies will take care to specify the baseline plan relative to which these are estimated. They will also show how they have met the other requirements in the *Instrument* such as cost-effectiveness, national priorities, consultation and information disclosure. Assistance and guidance as needed on these matters would be provided by the Secretariat during this period.

35. The following procedures are proposed during this transitional period:

- Procedures generally recognized by Participants as efficient and effective during the Pilot Phase will be followed except where amended by the Instrument (for example, the requirement for consultation and participation and the provision that the Secretariat will chair the Inter-Agency meetings) or by Council decisions (for example, project cycle and role of STAP.).
- Although it is not a requirement, it is recommended that the Implementing Agencies submit project proposals to the Secretariat for concept clearance at an early stage and that regular consultations between the Secretariat and the Implementing Agencies be undertaken. This is suggested for two reasons. First, concept clearance is likely to become necessary in the longer term because the Council will consider for approval projects in the work program only at a later, more developed, stage of the project cycle than the Participants did in the Pilot Phase. This increases the risk to project preparation expenditure and negotiation. Second, in the transitional phase itself, there will need to be consistent interpretation of the transitional guidance for programming and project screening.

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<sup>11</sup> Scientific and Technical Advisory Panel, 1993. *Analytical Frameworks for Global Warming, Biodiversity, and International Waters*. Draft, May 1993. Washington, D.C.: Global Environment Facility.

- To avoid overcommitting resources at this stage, there will need to be a limit over the aggregate Agency commitments and the cumulative commitments. Scenario 2 in *Absorptive Capacity*<sup>12</sup> can be used as a guide (Table 1, p 4). This scenario is the closest to the one now expected in the light of the resources mobilized for the GEF. In this scenario, about \$400 million could be committed in the first year. Taking into account the likely effective date for the GEF Trust Fund this translates into a total for all agencies and all focal areas of about \$200 million per work program in the first year.

36. Annex 1 provides a summary of the key products Council can expect to review and approve over the coming twelve months. Some flexibility will, of course, be required to cater for new issues, events, and questions that may arise over the coming year.

37. This proposed statement of work represents a considerable challenge. However, the approach recommended in this paper should allow for the long-term development of the GEF while also ensuring that the momentum of operations is maintained.

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<sup>12</sup> *Absorptive Capacity in Relation to the Growth of the GEF Work Program: Technical Note, GEF/RE.93/3.*  
Washington, D.C.: Global Environment Facility

## ANNEX 1

### PROVISIONAL SUMMARY OF KEY PRODUCTS FOR CONSIDERATION BY THE GEF COUNCIL

Council Meetings to be held during week beginning:

July 11, 1994

- Appointment of CEO
- Consideration of proposed rules of procedure
- Consideration of Issues Paper concerning STAP
- Consideration of provisional Statement of Work for the Council, including proposal on Interim operational guidance (to permit preparation of small, preliminary work program for January 1995 meeting)
- Consideration of Chairman's semi-annual report on pilot phase

October 31, 1994

- Consideration and adoption of rules of procedure
- Consideration and adoption of STAP mandate, composition and role
- Consideration of Issues Paper on project cycle
- Consideration of Preliminary Operational Strategy Issues Papers on Climate Change and on Biological Diversity.
- Consideration of Issues Paper (Scope) on International Waters
- Consideration of options for arrangements with conventions
- Consideration of administrative budget paper

January 23, 1995

- Consideration of revised Operational Strategy Issues Paper on Biological Diversity
- Consideration of Operational Strategy Issues Paper on International Waters
- Review and approval of work program
- Discussion of arrangements with conventions
- Consideration of progress report on the pilot phase
- Consideration and approval of GEF administrative budget

April 24, 1995

- Consideration of revised Operational Strategy Issues Paper on Climate Change
- Consideration of Issues Paper on Monitoring and Evaluation Guidelines
- Consideration of Issues Paper on "Incremental Cost Guidelines".

July 17, 1995

- Approval of long-term operational strategy
- Review and approval of work program

