



**JOINT SUMMARY OF THE CHAIRS
GEF COUNCIL MEETING
OCTOBER 14-15, 2002**

OPENING OF THE MEETING

1. The meeting was opened by Mohamed T. El-Ashry, Chief Executive Officer/Chairperson of the Facility.

ELECTION OF A CHAIRPERSON

2. The Council elected Adrian Davis, the Member representing the United Kingdom, as its elected Co-Chair.

ADOPTION OF THE AGENDA

3. The Council approved the provisional agenda set forth in document GEF/C.20/1.

CONCLUSION OF THE TERM OF THE CEO/CHAIRMAN OF THE FACILITY

4. The CEO/Chairman informed the Council that he would be leaving the GEF at the end of his term in July 2003. The Council expressed its deep regret that Mr. El-Ashry will not be seeking another term and noted that it would more extensively reflect upon his departure at the next Council meeting.

5. The Council recalled paragraph 21 of the Instrument that provides that “the CEO shall be appointed to serve for three years on a full- time basis by the Council on the joint recommendation of the Implementing Agencies. Such recommendation shall be made after consultation with the Council.” The Council also recalled the excellent formal and informal consultations that had been carried out for purposes of the previous appointment of the CEO and requested that a similar process be followed by the Implementing Agencies in their efforts to recommend a nominee for the position.

6. The Council emphasized that the search process to be followed by the Implementing Agencies should be broad, open and transparent.

STAP

7. Ms. Julia Carabias Lillo, the Chair of STAP, reported on the work of the newly appointed STAP, the composition of which had been approved by the Council at its meeting in May 2002. She emphasized the commitment of STAP to making their work during the GEF-3 period a success and informed the Council that STAP was preparing a multi-year work program to contribute to the strategic business planning of the GEF.

8. The Council underscored the importance of STAP to the work of the GEF.

Decisions of the Council

9. The Council approved the following decisions with respect to the items on its agenda.

Decision on Agenda Item 6 Work Program

10. The Council reviewed the proposed Work Program submitted to Council in document GEF/C.20/3 and approves it¹ subject to comments made during the Council meeting and additional comments that may be submitted to the Secretariat by November 1, 2002.

11. The Council finds that, with the exception of

(a) *Regional: Integrated Management of Dryland Biodiversity through Land Rehabilitation in the Arid and Semi Arid Regions of Mozambique, Zambia, Zimbabwe, and*

(b) *Kazakhstan: Drylands Management Project,*

each project presented to it as part of the Work Program (i) is or would be consistent with the Instrument and GEF policies and procedures and (ii) may be endorsed by the CEO for final approval by the Implementing Agency, provided that the CEO circulates to the Council Members, prior to endorsement, draft final project documents fully incorporating the Council's comments on the work program accompanied by a satisfactory explanation by the CEO of how such comments and comments of the STAP reviewer have been addressed and a confirmation by the CEO that the project continues to be consistent with the Instrument and GEF policies and procedures.

12. With respect to the two projects listed in paragraph 11 above, the Council requests the Secretariat to arrange for Council Members to receive draft final project documents and transmit to the CEO within four weeks any concerns they may have prior to the CEO endorsing a project document

¹ One Council Member, in light of national legislation regarding its country's voting position for development projects financed by certain development institutions, did not support the project proposal, *Regional: Development of a Wetland Site and Flyway Network for Conservation of the Siberian Crane and Other Migratory Waterbirds in Asia*.

for final approval by the Implementing Agency. Such projects may be reviewed at a subsequent Council meeting at the request of at least four Council Members.

Decision on Agenda Item 7

Third Replenishment of the GEF Trust Fund

13. The Council, having reviewed the *Summary of Negotiations on the Third Replenishment of the GEF Trust Fund* (Document GEF/C.20/4) welcomes the successful conclusion of the replenishment, takes note of the Summary and endorses the Replenishment Document and the policy recommendations.

14. The Council requests the Secretariat to include the policy recommendations in the Action Plan to respond to the Recommendations of the Second Overall Performance Study of the GEF under preparation for Council consideration and approval at its meeting in May 2003 pursuant to the Council's decision taken in May 2002.

15. The Council also requests the CEO/Chairman of the Facility to transmit this Summary to the World Bank with a request that the World Bank Executive Directors be invited to adopt Annex B to this Summary, *Resolution No.____, The Global Environment Facility Trust Fund: Third Replenishment of Resources*, thereby authorizing the World Bank, as Trustee of the GEF Trust Fund, to manage the resources made available under GEF-3

Decision on Agenda Item 8

Review of the fee-based system

16. The Council reviewed and commented on document GEF/C.20/5, *Interim Report on a Revision of the Fee Structure*. The Council requests the GEF Secretariat, in consultation with the Implementing and Executing Agencies, to prepare a proposal for a revised fee structure for Council review and approval at its meeting in May 2003. In preparing the proposal, the Secretariat and the Implementing and Executing Agencies are requested to take into account the comments made by the Council at its meetings in May and October 2002, as well as any written comments submitted to the Secretariat by November 15, 2002.

Decision on Agenda Item 9

Cofinancing

17. The Council reviewed and commented on document GEF/C.20/6, *Cofinancing*. The Council requests the Secretariat, in consultation with the Implementing and Executing Agencies, to prepare a revised paper, taking into account the comments made at the meeting as well as any written comments submitted to the Secretariat by November 15, 2002, for review and approval by the Council at its meeting in May 2003.

18. The Council also requested the GEF Secretariat, in consultation with the Implementing and Executing Agencies, to establish a database on cofinancing that will allow a better analysis of GEF experience and monitoring of cofinancing throughout project development and implementation.

Decision on Agenda Item 10

Monitoring and evaluation terms of reference for an independent monitoring and evaluation unit

19. The Council reviewed and commented on document GEF/C.20/7, *Terms of Reference for an Independent Monitoring and Evaluation Unit*. The Council invites the monitoring and evaluation unit of the GEF to prepare revised terms of reference, taking into account the comments raised by the Council during the meeting and any written comments that may be submitted by the Council Members to the unit by November 15, 2002. The revised terms of reference should be submitted to the Council for review and approval at its meeting in May 2003.

Decision on Agenda Item 11 and

Elements of a GEF operational program for prevention control of desertification and deforestation through sustainable land management

20. The Council reviewed document GEF/C.20/8, *Elements of a GEF Operational Program for the Prevention and Control of Desertification and Deforestation through Sustainable Land Management*, and approves the elements, subject to comments made during the Council meeting and that may be submitted in writing to the Secretariat by November 15, 2002, as the basis for the preparation of an operational program. The Council requests the Secretariat to develop, in consultation with the Implementation Agencies, relevant Executing Agencies, and the Secretariats of the UN Convention to Combat Desertification and its Global Mechanism, a draft operational program on the basis of the revised elements. The draft operational program should be circulated to Council Members for comment before it is discussed and finalized at the May 2003 Council meeting.

21. The GEF Council welcomes the conclusions of the World Summit on Sustainable Development held in Johannesburg, South Africa, and in particular the WSSD Plan of Implementation, and recalling paragraph 39(f) of the Plan of Implementation², recommends to the Assembly that it confirms that the GEF shall be available as a financial mechanism of the *UN Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa*, pursuant to paragraph 21 of the Convention, if the Conference of the Parties should so decide. In this regard, the Council further recommends that the Assembly requests it to consider any such decision of the Conference of the Parties with a view to making the necessary arrangements.

² Paragraph 39 of the WSSD Plan of Implementation reads: "Call[s] on the Second Assembly of the Global Environment Facility (GEF) to take action on the recommendations of the GEF Council concerning the designation of land degradation (desertification and deforestation) as a focal area of the GEF as a means of GEF support for the successful implementation of the Convention to Combat Desertification; and consequently, consider making GEF a financial mechanism of the Convention, taking into account the prerogatives and decisions of the Conference of the Parties to the Convention, while recognizing the complementary roles of GEF and the Global Mechanism of the Convention in providing and mobilizing resources for the elaboration and implementation of action programmes."

22. The Council noted the information provided in document GEF/C.20/Inf. 5 on the contribution of the GEF to the World Summit on Sustainable Development (WSSD) as well as the results of the Summit, and requests the Secretariat, in consultation with the Implementing and Executing Agencies, to reflect upon the implications for the GEF of the Plan of Implementation adopted by the WSSD. The Secretariat is further requested, in preparing the action plan to respond to the recommendations of OPS 2 and the policy recommendations of the third replenishment to be considered by the Council at its meeting in May 2003, to incorporate in the action plan proposals for responding to the outcomes of the WSSD.

HIGHLIGHTS OF COUNCIL'S DISCUSSIONS

23. The following comments, understandings and clarification were made during the Council's discussions of its agenda items and related decision.

Agenda Item 6

Work Program

24. The Council welcomed the inclusion in the work program of projects addressing the new focal areas of land degradation and persistent organic pollutants and looks forward to seeing more projects in these focal areas in the GEF-3 work programs.

25. The Council agreed that on *an exceptional basis* it would approve the work program even though the requested financial resources exceed the resources currently available in the GEF Trust Fund, on the understanding that the CEO will only endorse an individual project in the work program when the resources available to the GEF Trust Fund are sufficient to cover the GEF grant for that project.

26. Several Council Members expressed disappointment at the downward trend in the level of cofinancing in this work program compared to earlier work programs.

27. The Council noted that work programs should be explicitly linked to the strategic business plans. The Council also stressed the importance of indicators to measure performance, impacts and results and a clear indication of the proposed outcomes of projects.

28. The replenishment of the Small Grants Program was welcomed. In this regard, the GEF Secretariat was requested to work with the Small Grants Program and UNDP to prepare for Council review a strategy to expand the program to more countries.

29. The Council agreed that with the endorsement by the Council of the policy recommendations agreed as part of the Third Replenishment, ADB and IDB should be accorded direct access to GEF

resources for the implementation of GEF projects. Therefore, the ADB project included in the work program should benefit from such direct access. Furthermore, the Council agreed that such direct access could be applied to projects previously approved by the Council if the executing arrangements between the Executing Agency and the Implementing Agency had not yet been agreed for those projects.

30. The Council expressed its appreciation for the decrease in the level of fees.

31. It was recalled that the Secretariat is to prepare, in consultation with the Implementing and Executing Agencies, a paper for Council review on the programmatic approach. In preparing this paper, the Secretariat was requested to consider the comparative advantages of the Implementing and Executing Agencies in preparing different types of projects.

32. It was requested that the project, *Armenia: Program for Phasing Out Ozone Depleting Substances*, not be endorsed by the CEO until the Secretariat receives confirmation that Armenia has ratified or acceded to the London Amendments to the Montreal Protocol.

33. The Council welcomed the proposed format for the executive summaries of GEF project proposals presented in document GEF/C.20/Inf.4, and agreed that the Secretariat, in consultation with the Implementing and Executing Agencies, should keep the format under continuous review, taking into account comments made by the Council and experience in applying the format.

34. It was confirmed that full project documents and STAP reviews would continue to be available on the GEF website.

Decision on Agenda Item 7

Third Replenishment of the GEF Trust Fund

35. The Council warmly welcomed the extra efforts that had been made by Denmark, Finland, Netherlands, Sweden and United Kingdom subsequent to the final replenishment meeting to provide supplemental contributions to the replenishment. The Council also welcomed the announcement by the Council Member from Germany that her country was also seriously considering a supplemental contribution as part of the European Initiative announced at the World Summit on Sustainable Development.

36. In endorsing the policy recommendations, the Council confirmed that it was endorsing the recommendations as a framework for policy development and that further work will be undertaken by the Council to review and approve modalities to implement the general principles of the recommendations. It was also agreed that the replenishment recommendations should be taken together with the OPS2 recommendations to ensure a coherent approach to both is developed.

Decision on Agenda Item 8

Review of the fee-based system

37. In preparing a revised proposal for the fee-based system, the Secretariat and Implementing Agencies were requested to consider:

- (a) a mixed system that combines proposed options depending on the type of project;
- (b) incentives for the agencies to reduce their fees;
- (c) a better assessment of the financial costs of the options;
- (d) the comparative advantage of each agency to implement different types of projects;
- (e) a clearer indication of what services should be provided for the fees;
- (f) whether the fee system favors or discriminates against certain types of projects; and
- (g) caps on fees.

Decision on Agenda Item 9 Cofinancing

38. The Council reaffirmed that cofinancing is a key principle underlying GEF's success in its efforts to have a significant positive impact on the global environment. With limited financial resources, increased capacity and a growing demand for assistance, it is essential for the GEF to mobilize additional resources for the global environment.

39. Many Council Members expressed doubts about the feasibility of applying minimum cofinancing ratios, since there are many factors that can influence the determination of the GEF grant, including the special circumstances of the country or countries in which the project is to be carried out. These Council Members favored a system of incentives to enhance cofinancing and flexibility in the application of cofinancing criteria. Other Council Members supported the paper's proposal to establish minimum cofinancing levels.

40. The Secretariat was requested to work with the Implementing and Executing Agencies to provide the Council with a better assessment of the cofinancing to date. In this regard, the Secretariat was also requested to prepare an assessment of the impact of any proposed cofinancing policy by analyzing the impact such a policy would have had on the GEF portfolio to date. An assessment of the overall impact of the proposed policy could be made on a sample selection of projects. Any proposal for specific targets for cofinancing should present a reference to the projects that would not have been approved if such a policy had been applied to earlier GEF activities.

41. In revising the paper, the Secretariat should examine opportunities to increase the involvement of the private sector in providing cofinancing.

Decision on Agenda Item 10 Monitoring and evaluation terms of reference for an independent monitoring and evaluation unit

42. The Council noted that it was difficult to clearly divide monitoring functions from those of evaluation and recommended that the monitoring and evaluation unit report directly to the Council on both issues, while maintaining a close working relationship with the GEF Secretariat and Implementing and Executing Agencies.

43. The Council suggested that the monitoring and evaluation unit prepare an annual strategic report on its monitoring and evaluation work and results. It requested that further consideration be given to how to maintain regular communication between the monitoring and evaluation unit and the Council.

44. The Council noted that the establishment of an independent monitoring and evaluation unit should not imply an expansion in the costs or staffing of the current unit.

*Decision on Agenda Item 11
prevention
deforestation through*

*Elements of a GEF operational program for
and control of desertification and
sustainable land management*

45. The Council welcomed the preparation of the Elements as evidence of responsiveness and prompt action in anticipation of the Assembly's decision to designate land degradation as a new focal area.

46. Council Members provided a number of policy and technical comments that will be taken into account in preparing the operational program on the basis of the elements and noted that additional comments would be submitted in writing. Among those comments, the following were highlighted by several Council Members:

- (a) land degradation is intimately linked to poverty and sustainable development and should appropriately be addressed as a cross sectoral issue within the GEF. A principal emphasis of the operational program should be integration of land degradation issues into poverty reduction strategies and national sustainable development strategies;
- (b) stakeholder participation is extremely important in designing and implementing responses to the challenges of land degradation;
- (c) GEF action should build upon and support the extensive work that has already been undertaken by governments to respond to the UNCCD, including the national action plans;
- (d) the importance of synergies with the other global environmental conventions should be addressed;
- (e) GEF's work in the focal area of land degradation needs to be integrated with GEF work in the other focal areas;
- (f) priority should be given to action and capacity building;

- (g) action to address deforestation needs to be elaborated in the operational program;
- (h) the operational program should seek to clearly identify what activities the GEF will finance taking into account the principles of global environment benefits and incremental costs. GEF actions should complement the numerous activities being undertaken through bilateral assistance programs and partnerships to address land degradation;
- (i) the operational program should define the division of labor between the GEF and the Global Mechanism of the UNCCD
- (j) traditional knowledge and knowledge sharing, including regional cooperation in exchanging information and lessons learned, are especially important considerations in addressing the challenges of land degradation
- (k) priorities for targeted research should be better defined and should be consistent with the GEF policy on targeted research.

47. Some Council Members expressed concern over the low level of proposed support for enabling activities while others argued that the type of planning envisaged under enabling activities should be integrated into poverty reduction strategies and national sustainable development plans in order to avoid fragmentation.

Decision on Agenda Item 12 Other Business

48. The representative of South Africa, the host country for the WSSD, expressed his country's appreciation for the contributions of the GEF to the WSSD. In reflecting upon the outcomes of the WSSD, he suggested that the GEF take into account the following five points:

- (a) WSSD deepened and strengthened the concept of sustainable development and emphasized the crucial linkages between environmental protection, social development and economic growth. The Summit confirmed that the greatest obstacle to a sustainable future for the planet is global poverty and inequality;
- (b) the Summit confirmed the importance of multilateral action at the global level and common but differentiated responsibilities. The GEF is a clear demonstration of these principles in action;
- (c) the WSSD Plan of Implementation contains a number of important priority areas and targets of relevance to the GEF's mandate
- (d) the Summit strongly endorsed that the critical priority was effective implementation of the Plan of Action and highlighted the importance of regional initiatives, such as NEPAD, in this regard;

- (e) the Summit underscored the importance of public participation, stakeholder involvement and partnerships.

49. One Council Member raised the issue of GEF support to national focal points, and asked that consideration be given to extending such support beyond the three year period for which it was initially approved. The CEO noted that support for national focal points would be addressed in the action plan to be reviewed by the Council at its meeting in May 2003 and that for any country that might have exhausted its resources under this program, consideration could be given on an exceptional basis to continuing some support utilizing resources remaining under this special initiative.

CLOSURE OF THE MEETING

50. The meeting was closed by the Chairs on October 15, 2002.