

DRAFT

**JOINT SUMMARY OF THE CHAIRS
GEF COUNCIL MEETING
DECEMBER 5-8, 2006**

OPENING OF THE MEETING

1. The meeting was opened by Ms. Monique Barbut, Chief Executive Officer/Chairperson of the Facility. As this was the first ordinary Council meeting chaired by Ms. Barbut, she presented to the Council her strategy and package of actions to strengthen the management of the GEF. A copy of her complete statement is available on the GEF website.

ELECTION OF A CHAIRPERSON

2. The Council elected Ambassador Thomas Kolly, Council Member representing Azerbaijan, Kazakhstan, Kyrgyz Republic, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan as its elected Co-Chair.

ADOPTION OF THE AGENDA

3. The Council approved the provisional agenda set forth in document GEF/C.30/1/Rev.1.

**STATEMENT BY THE EXECUTIVE SECRETARY OF THE UNITED NATIONS FRAMEWORK
CONVENTION ON CLIMATE CHANGE**

4. The Council heard a statement from Mr. Yvo de Boer, Executive Secretary, UN Framework Convention on Climate Change, on the recent twelfth session of the Conference of the Parties (COP 12) and the second meeting of the Parties to Kyoto Protocol (COP/MOP 2) that was held in Nairobi, Kenya.

STATEMENT BY THE CHAIR OF THE SCIENTIFIC AND TECHNICAL ADVISORY PANEL (STAP)

5. Ms. Yolanda Kakabadse, Chair of STAP, reported on the work of STAP and on-going work to prepare a proposal for Council consideration on the restructuring of STAP.

DECISIONS OF THE COUNCIL

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

Decision on Agenda Item 6 *Evaluation Office Progress Report*

7. The Council, having reviewed the document GEF/ME/C.30/1, *GEF Evaluation Office: Progress Report from the Director*, takes note of the work on on-going evaluations, the

implementation of the GEF monitoring and evaluation policy, and the selection criteria for country portfolio evaluations. The Council agrees to defer a decision on the process for preparing OPS4 until its next meeting in June 2007. The Council requests the Evaluation Office to prepare, taking into account the comments made by the Council, costed options on the process that could be followed to prepare OPS4, recognizing in particular, the importance of ensuring the independence and quality of the evaluation.

Decision on Agenda Item 7

Evaluation of Incremental Cost Assessment

8. The Council, having reviewed document GEF/ME/C.30/2, *Evaluation of Incremental Cost Assessment*, and the management response (GEF/ME/C.30/3), takes note of the conclusions of the evaluation. The Council particularly welcomes the conclusion that the principle of incremental funding is being achieved throughout the GEF.

9. On the basis of the evaluation's conclusion that the current process for incremental cost assessment and reporting does not add any value to the quality of projects, the Council decides that:

- (a) the incremental reasoning in project objectives and design should be explicitly addressed in appropriate documentation, particularly at the project concept stage, during implementation and at completion;
- (b) the current incremental cost assessment and reporting requirements for GEF project proposals should be reformed so as to result in a simplified demonstration of the project baseline, incremental costs and co-funding;
- (c) monitoring for progress towards achieving global environmental benefits and for achieving co-funding should be included in Project Information Reports and the Portfolio Performance Report; and
- (d) terminal evaluations should evaluate achievement of global environmental benefits and co-funding, followed by an independent assessment in the Annual Performance Reports of the GEF Evaluation Office;

The Council requests the GEF Secretariat to incorporate in the paper on the revised project cycle to be presented to the Council in June 2007, new operational guidelines to implement the above sub-paragraphs.

10. On-going efforts should be strengthened to have a better identification of global environmental benefits in GEF activities, including improved dissemination and raising of awareness of the focal area strategic priorities and objectives.

11. The Council also requests the GEF Evaluation Office to record any follow-up action taken to implement this decision and to report on these actions through the Management Action Record.

12. The Council, having reviewed the document GEF/ME/C.30/4, *Evaluation of the Experience of Executing Agencies under Expanded Opportunities in the GEF* and the management response (GEF/ME/C.30/5), takes note of its recommendations.

13. The Council requests the GEF Evaluation Office to report through the Management Action Record on the follow-up to the decision on agenda item 16, *Roles and Comparative Advantages of the GEF Agencies*.

14. The Council requests the Evaluation Office to consider assessing the GEF's experience with the Executing Agencies and the possible consequences for the overall GEF structure in the Fourth Overall Performance Study.

15. The Council, having reviewed document GEF/ME/C.30/6 *Evaluation of the GEF Activity Cycle and Modalities* and the management response (GEF/ME/C.30/7) takes note of the conclusions of the evaluation that:

- (a) the GEF activity cycle is not effective, nor efficient, and that the situation has grown worse over time; nor is it cost-effective; and
- (b) GEF modalities have not made full use of trends towards new forms of collaboration that serve to foster ownership and promote flexibility, efficiency and results.

16. The Council agrees with the management response that no gains would be achieved by streamlining the current project cycle at the margins. Therefore the Council requests the Secretariat, in consultation with all the GEF entities, to present for Council review in June 2007 options for a new project cycle, with the objective of processing a proposal from identification to start of implementation in less than 22 months without compromising project quality or undermining financial accountability. This should address measures to:

- (a) focus the project identification phase on establishing project eligibility, resource availability, country endorsement and agreed agency comparative advantage;
- (b) move the work program from being project-based to being program-based in line with GEF strategies and policies;
- (c) allow projects to be endorsed by the CEO on a rolling basis; and
- (d) expedite the project cycle.

17. The Council requests the GEF Evaluation Office to report through the Management Action Record on the follow-up to this decision.

18. The Council, having reviewed document GEF/C.30/3, *Rules, Procedures and Objective Criteria for Project Selection, Pipeline Management, Approval of Sub-projects, and Cancellation Policy*, decides that the following should be incorporated into the new project cycle that will be submitted to the Council for approval in June 2007.

General principles for the project cycle

19. The project cycle should contain clear rules and criteria and ensure transparency in decision making. A beneficiary country should be consulted prior to any decision affecting a proposal or project in its country.

Pipeline and project management

20. A transparent, time-bound system for pipeline and project management should be developed. Clear benchmarks should be established, in consultation with countries and the GEF agencies, for monitoring project progress during preparation and implementation. Criteria should be developed to help prioritize the pipeline. The monitoring of achievement of the benchmarks should be incorporated into the management information system that is under development.

21. The Secretariat should provide regular reports to the Council on action taken to manage the pipeline and to terminate or suspend projects.

22. The Council decides that the following should be applied with respect to project cancellations, terminations or suspensions.

General principles for Project Cancellations, Terminations or suspensions

23. At any stage of the project cycle, the beneficiary country, the Implementing or Executing Agency, or the Secretariat may recommend cancellation, termination or suspension of a project based on criteria approved by the Council.

24. Prior to formal approval of a project by a GEF agency, the CEO is responsible for the decision to cancel a project proposal.

25. After approval of a project by a GEF agency, the Implementing or Executing Agency is responsible for the decision to terminate or suspend a project.

Cancellation of project proposals during the preparation (prior to formal approval by the GEF agency)

26. The CEO should take a decision to cancel a project proposal on the basis of established criteria and after written consultation with the beneficiary country and the Implementing or Executing Agency.

27. If a proposal is cancelled prior to Council approval/CEO approval, it should be removed from the pipeline. The Secretariat should inform the beneficiary country and the Implementing or Executing Agency. The Trustee should also be informed if any project development funding has been approved for the proposal. The Implementing or Executing Agency should comply with the Trustee's financial rules and procedures regarding the use of GEF funds.

28. When a proposal is cancelled after Council approval/CEO approval, but before formal approval by the GEF agency, the Secretariat should inform the beneficiary country and the Implementing or Executing Agency.

29. The Implementing or Executing Agency should:

- (a) submit an official cancellation notification to the GEF Secretariat and the Trustee; and
- (b) comply with the Trustee's financial rules and procedures regarding the use of GEF funds.

Termination or suspension of projects during implementation (after formal approval by the GEF agency)

30. Upon recommending to an Implementing or Executing Agency the termination or suspension of a project, the Secretariat should communicate to the country's GEF operational focal point the basis for such a recommendation.

31. A beneficiary country or the Implementing or Executing Agency may also recommend termination or suspension of a project. In such a case, the GEF Secretariat should be consulted before a decision is finalized.

32. The Implementing or Executing Agency should consult with the beneficiary country before taking the final decision. The agency should seek to ensure that appropriate consultations are also carried out with all the relevant government agencies that are involved in project preparation and/or implementation, and other partners, including co-financiers.

33. The Implementing or Executing Agency should:

- (a) send an official termination or suspension notice to the government;
- (b) submit an official notification of termination or suspension to the GEF Secretariat and the Trustee; and
- (c) follow the Trustee's financial rules and procedures regarding the use of GEF funds.

34. The Council furthermore decides that this policy should be applied to projects entering the pipeline from January 1, 2007, and requests the CEO to apply the policy to any project

proposal or project that does not meet milestones agreed with the agency and the beneficiary country.

35. The Secretariat is requested to elaborate for Council review and approval, as part of the new project cycle to be reviewed by the Council in June 2007, additional criteria to guide decisions on cancellation of a project proposal and termination or suspension of a project. Until the approval of such criteria, the provisions of paragraph 23 will apply.

36. The Council also decides that the following project cycle policies should be addressed.

Approval of sub-projects in larger GEF projects and programs

37. Council Members express their broad support for the proposals presented in document GEF/C.30/3 for the approval of sub-projects under larger GEF projects and programs. The Council requests the Secretariat to develop for Council approval, as part of the decision on the new project cycle, policies describing the types of umbrella projects and programs to be funded by the GEF and the procedures for the approval of sub-projects under such instruments. The policies for umbrella projects should include clarification on transaction costs.

Fees

38. The Secretariat is requested to prepare a revised fee system, including provisions for tranching disbursements of fees, for discussion at the June 2007 meeting.

PDFs

39. The Secretariat is requested to prepare, for Council review and approval in June 2007, a proposal for the replacement of the current PDF process with procedures based on the financing of the actual incremental costs of project preparation.

Decision on Agenda Item 11 Results Management Framework

40. The Council reviewed document GEF/C.30/4, *Progress Report on the Development of the Results-Based Management Framework*, and welcomes the progress that has been made in developing indicators in each of the focal areas and the preliminary steps that have been taken to prepare a results-based management framework. The Council recognizes the need to ensure consistency between the results-based management framework and the revised focal area strategies, and requests the Secretariat to ensure that the revised strategies and the management framework are submitted to the Council for consideration at its meeting in June 2007.

Decision on Agenda Item 12 Strategies for Focal Areas

41. The Council reviewed document GEF/C.30/5, *Focal Area Strategies for GEF-4 – Working Drafts and Proposed Process*, and requests the Secretariat to continue its work to review, revise and focus the focal area strategies, taking into account cross-cutting issues of sustainable forest management and sound chemicals management. The Secretariat is requested to take into account comments made during the Council meeting and to consult further with

Council Members, GEF agencies, STAP, Convention Secretariats, the NGO network and relevant experts in the preparation of the revised strategies. Council Members are invited to submit written comments on the working drafts of the strategies to the Secretariat by January 15, 2007.

Decision on Agenda Item 13 Business Plan

42. The Council reviewed GEF/C.30/6, *GEF Business Plan, FY07-10*, and notes the approaches proposed in the document towards implementing the recommendations of the Fourth Replenishment of the GEF Trust Fund and programming GEF-4 resources. Council requests the Secretariat, in consultation with GEF entities, to present the next Business Plan for Council discussion at its June 2007 meeting, reporting on the accomplishments of fiscal year 07 and outlining a plan of FY08-10.

Decision on Agenda Item 14 Implications of Amending the Instrument to Reflect the Designation of the GEF as Financial Mechanism of the UNCCD

43. The Council, having reviewed document GEF/C.30/7, *Legal, Operational and Financial Implications of an Amendment to the GEF Instrument to Reflect the Designation of the GEF as a Financial Mechanism of the UNCCD*, agrees to recommend to the fourth GEF Assembly the following amendment to the *Instrument for the Establishment of the Restructured Global Environment Facility*:

44. A new paragraph 7 should be inserted in the Instrument which reads as follows:

The GEF shall be available to serve as a financial mechanism of the UN Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, particularly in Africa (UNCCD), pursuant to article 20, paragraph 2(b), and article 21 of the Convention. The Council shall consider and approve arrangements to facilitate collaboration between the GEF and the UNCCD and among countries with respect to affected countries, particularly in Africa.

45. The Council warmly welcomes this long overdue recognition of the importance of the issue of land degradation. Recognizing the operational and financial implications of the amendment as described in document GEF/C.30/7, and that adoption of this amendment at the next Assembly is required prior to its implementation, the Council directs the Secretariat to exercise existing legal authorities in the Instrument and in the MOU between the GEF and the UNCCD to enhance the effectiveness of GEF assistance in combating desertification in affected countries, particularly in Africa.

Decision on Agenda Item 15 Strategy for Financing Biosafety and Management Response

46. The Council reviewed the proposed *Strategy for Financing Biosafety* (GEF/C.30/8/Rev.1) and approves it as an interim basis for the development of projects for implementation of the Cartagena Protocol on Biosafety until such time as the focal area

strategies are approved by the Council. The Council invites the Implementing and Executing Agencies, under the coordination of the GEF Secretariat and based on their comparative advantages, to collaborate with the GEF to provide assistance to countries for the implementation of the protocol.

Decision on Agenda Item 16

Roles and Comparative Advantages of the GEF Agencies

47. The Council reviewed document GEF/C.30/9, *Roles and Comparative Advantages of the GEF Agencies*, and the information presented therein on the experience of the Implementing Agencies and Executing Agencies operating under expanded opportunities (hereinafter referred to as Executing Agencies) in working with the GEF. The Council welcomes the consultations that have been undertaken by the CEO/Chairperson of the Facility with the Implementing and Executing Agencies and the agreed proposals to promote a more focused participation in GEF activities and a level playing field among the Implementing and Executing Agencies. In this regard, the Council decides that:

- (a) GEF Implementing and Executing Agencies will focus their involvement in GEF project activities within their respective comparative advantages and assigned primary roles which will be further elaborated upon in a paper to be prepared by the Secretariat for the next Council meeting. The Executing Agencies will be granted direct access to GEF funding based on their comparative advantages.
- (b) the corporate budget of the Implementing Agencies will be eliminated as of FY08;
- (c) the project cycle management fee for all GEF Implementing and Executing Agencies will be increased from 9 percent to 10 percent, with a cap that will ensure that no agency receives more administrative support than under the current system of fees and corporate budget. This increased fee will be applied immediately to projects managed by the Executing Agencies. For projects managed by the Implementing Agencies, the 10 percent fee will be applied beginning in FY08 when the corporate budget for the Implementing Agencies will be eliminated. The total fee amount for any Implementing Agency in a fiscal year will be capped at what it would have received under the present system of a 9 percent fee plus \$3 million in the corporate budget;
- (d) GEF Implementing and Executing Agencies will participate in the corporate activities outlined in annex 2 of document GEF/C.30/9; and
- (e) the comparative advantage of a GEF Implementing and Executing Agency to manage a proposed project will be assessed by the Secretariat, in consultation with the country, during the project concept review.

Decision on Agenda Item 17

Report on Project Data Reconciliation

48. The Council welcomes the report of the Trustee on the project data reconciliation (document GEF/C.30/10) and encourages the Trustee to complete the reconciliation process by

the end of 2006. Council decides that no new projects should be approved until the current reconciliation process is completed. Thereafter, reconciliation should be updated monthly.

Decision on Agenda Item 18

Review of Financial Statements

49. The Council reviewed document GEF/C.28/9/Rev.1, *Financial Statements*, prepared by the Trustee and takes note of the financial statements and auditors' report thereon received by the Trustee for: IBRD acting as Trustee for the fiscal year ended June 30, 2005; IBRD acting as Implementing Agency for the fiscal year ended June 30, 2005; GEF Secretariat for the fiscal year ended June 30, 2005; UNDP for the fiscal year ended December 31, 2004; and UNEP for the fiscal year ended December 31, 2004.

Decision on Agenda Item 19

Progress Report on Implementation of the RAF

50. The Council takes note of the *Progress Report on Implementing the RAF* (document GEF/C.30/11) and requests the Secretariat to continue its efforts to ensure a smooth transition to the new system for recipient countries. The Secretariat is requested to continue to monitor the implementation of the RAF and to report to the Council on a regular basis.

Decision on Agenda Item 20

Other Business

51. The Council confirms the following constituency grouping:

- (i) Albania, Bulgaria, Croatia, Georgia, Moldova, FYR Macedonia, Poland, Romania, Serbia and the Ukraine.

CLOSURE OF THE MEETING

The meeting closed on December 8, 2006.

HIGHLIGHTS OF COUNCIL DISCUSSIONS

52. The following comments, understandings and clarifications are the Chairs' record of certain points made during Council's discussions of the agenda items and related decisions.

Agenda Item 6 Progress Report of the Director of the Evaluation Office

53. While many Council Members expressed confidence in the capability of the Evaluation Office to independently undertake OPS4, concerns were raised about potential conflicts of interest, the potentially weakened perception of independence outside the GEF and the impact that implementing OPS4 would have on the regular activities of the Evaluation Office. Some Council Members advocated a hybrid solution, where parts of OPS4 would be carried out by the Evaluation Office and other parts would be outsourced.

Agenda Item 9 Evaluation of Project Cycle and Modalities

54. In line with results-based management, the importance of quality-at-entry was stressed, as well as the importance of maintaining the quality of projects and their financial standards. Some Council Members also mentioned implementation supervision and knowledge management as tools for quality control.

Agenda Item 10 Rules, Procedures and Objective Criteria for Project Selection, Pipeline Management and Cancellation Policy

55. The Council requested that the new project cycle to be proposed in June 2007 make clear the role of each actor in the process.

56. With regard to the current pipeline of project proposals, the CEO informed the Council that she will be contacting all countries with project proposals in the pipeline to discuss their proposals before taking the final decision on projects to be dropped from the pipeline. The Secretariat will report on the status of the pipeline at the next Council meeting.

Agenda Item 12 Strategies for Focal Areas

57. The Council welcomed the CEO's proposal to establish advisory groups of experts to provide input to the revision of the focal area strategies. Council Members were invited to submit to the Secretariat by December 15, 2006, names and contact information of recommended experts to assist the Secretariat in preparing the revised strategies. The CEO informed the Council that working drafts of the focal area strategies will be posted for review and comment on the GEF website as they evolve during the next few months.

Agenda Item 14 Implications of Amending the Instrument to Reflect the Designation of the GEF as Financial Mechanism of the UNCCD

58. The Council welcomed the long overdue recognition in the Instrument of the GEF as a financial mechanism of the UNCCD and acknowledged with gratitude the leadership of the Council Members representing African countries and the CEO in advancing this issue.

Agenda Item 16

Roles and Comparative Advantages of the GEF Agencies

59. Many Council Members agreed that the further development of the roles and responsibilities of the UN agencies in the GEF should take into account discussions in the UN on the report of the high-level panel on system-wide coherence.

Agenda Item 19

Progress Report on Implementation of the RAF

60. A number of Council Members noted the importance of extensive stakeholder consultations in the preparation of the midterm review of the RAF and recommended that such consultations include dialogue with representatives of the Parties who participate in the deliberations of the conventions.

Agenda Item 20

Other Business