



# Global Environment Facility

July 1, 2005 (Revised)

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## JOINT SUMMARY OF THE CHAIRS GEF COUNCIL MEETING JUNE 3-8, 2005

### OPENING OF THE MEETING

1. The meeting was opened by Leonard Good, Chief Executive Officer/Chairperson of the Facility.

### ELECTION OF A CHAIRPERSON

2. The Council elected Veronica Querejazu, Council Member representing Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay, as its elected Co-Chair.

### ADOPTION OF THE AGENDA

3. The Council approved the provisional agenda set forth in document GEF/C.25/1/Rev.2. In approving the agenda, the Council agreed to consider GEF/C.25/Inf. 6, *GEF Trust Fund Audit Issues*, under agenda item 20, *Other Business*.

### STAP

4. Ms. Yolanda Kakabadse, the new Chair of STAP, reported on the proposed work program of STAP. Ms. Kakabadse was welcomed by Council Members, many of whom recognized her expertise and knowledge. Ms. Kakabadse paid tribute to Ms. Julia Carabias Lillo, the former Chair of STAP, and the important work that STAP had achieved under her leadership. She also stated one of her goals was to ensure that STAP's work would become more relevant to the GEF, with a focus on GEF operations and integration of the environment and development agenda as articulated in the Millennium Development Goals. Council welcomed this approach and requested that STAP's work also include a stronger emphasis on the impacts and results of GEF projects. The Council also requested that the statement of the Chair of STAP to the Council meeting should be circulated in writing to all Council Members in advance of the meeting.

5. The Council also requested the STAP Chair to provide an action plan for review at the Council meeting in November. The action plan should include steps to ensure the credibility of the STAP review of projects across all operation programs.

## STATEMENTS BY EXECUTIVE SECRETARIES OF THE CONVENTIONS AND THE REPRESENTATIVE OF THE CSD

6. The Council heard statements from Ms. Joke Waller-Hunter, Executive Secretary of the UNFCCC, Mr. Hama Arba Diallo, Executive Secretary of the UNCCD, Mr. Arthur Nogueira, Principle Officer of the CBD, and Mr. John Whitelaw, Deputy Director, UNEP Chemicals and the Stockholm Convention, on the activities of their conventions of interest to the GEF. The Council also heard a statement from Mr. Kui-Nang Mak, Chief, Energy and Transport Branch, UN DESA, on the work of the CSD.

## DECISIONS OF THE COUNCIL

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

*Decision on Agenda Item 5(b) Annual Performance Report (APR)*

8. The Council, having reviewed the document GEF/ME/C.25/1, *Annual Performance Report 2004*, takes note of the findings and the report's recommendations. The Council requests the GEF Office of Monitoring and Evaluation to report at the May 2006 meeting on the follow-up to the following recommendations:

- (a) The transparency of the GEF project approval process should be increased. The GEF Secretariat is requested to prepare for Council review, options for making project proposal status information available to proponents through Internet accessible databases and project tracking tools. The GEF Secretariat, Implementing Agencies and Executing Agencies are also requested to update project information on the current projects;
- (b) GEF Secretariat should, in consultation with the Implementing and Executing Agencies, develop: (i) an active management approach to the project approvals process, including accountability for processing time standards within the GEF Secretariat and Implementing Agencies; (ii) a system, including criteria, for actively reviewing projects to determine which should be canceled, and (iii) report annually to the Council on progress in these areas;
- (c) UNDP and UNEP are requested to set in place terminal evaluation review processes for GEF projects to improve their quality and meet the concerns of the GEF Council about the quality and credibility of their terminal evaluations and ratings. OME is requested to review consistency of evaluations and ratings. The Implementing and Executing Agencies are also requested to include in their project terminal evaluations an assessment of project monitoring and evaluation systems;
- (d) OME is requested to issue more rigorous monitoring and evaluation standards as soon as possible. The GEF Secretariat is requested to ensure that projects included in the work programs meet minimum monitoring and evaluation standards.

*Decision on Agenda Item 5(c) Four Year Rolling Work Program and Budget of OME*

9. The Council reviewed document GEF/ME/C.25/3, *Four Year Work Program and Budget of the Office of Monitoring and Evaluation – FY06-09 and Results in FY05*, and approves the proposed principles underlying the work program. The Council approves a budget of US\$2,821,975 for FY06 to cover the costs of core tasks and new modalities. In addition, Council approves an additional amount of US\$150,000 for the special initiative to prepare a joint evaluation of the activity cycle, modalities and the fee system, and US\$125,000 for the special initiative to evaluate GEF's strategy and support for the implementation of the Cartagena Protocol (biosafety).

10. Council notes with gratitude UNEP's agreed support of US\$225,000 for the biosafety evaluation (50% of the total \$450,000 cost of the evaluation). This amount is to be transferred to the GEF Office of Monitoring and Evaluation from UNEP through the GEF Trustee. The Council recognizes that UNEP is able to provide this support since the biosafety evaluation of the OME will replace the need for UNEP to organize a full terminal evaluation of the global development project.

11. In preparing its next four-year rolling work program, to be presented to the Council in May 2006, the Office of Monitoring and Evaluation will take into account:

- (a) the terms of reference of the OME approved by the Council in July 2003;
- (b) recommendations from OPS3 incorporated in the policy recommendations associated with the fourth replenishment of the GEF Trust Fund;
- (c) policy and program streamlining, actual trends in commitments, disbursements and number of projects in the GEF;
- (d) the outcomes of the consultative process, the new GEF monitoring and evaluation policy, and the new division of labor on monitoring and evaluation, which may lead to efficiencies in actual costs;
- (e) overall budget discipline; and
- (f) the possibility of OPS4 building upon the evaluations of OME.

*Decision on Agenda item 5(d) Draft Third Overall Performance Study (OPS3)*

12. Council takes note of the draft of the Third Overall Performance Study (OPS3) and requests the GEF Office of Monitoring and Evaluation and ICF Consulting to prepare the final document by June 30, 2005, taking into consideration comments made at this meeting and written comments to be received. In addition, Council requests that the document be forwarded to the replenishment process and presented at its meeting on June 9, 2005.

13. Council Members are requested to provide written comments on or before June 15, 2005, to assist ICF Consulting in finalizing OPS3 by June 30, 2005.

14. The Council, having reviewed the document, *GEF Office of Monitoring and Evaluation Review of the GEF Operational Program 12: Integrated Ecosystems Management* (GEF/ME/C.25/5), requests the OPS3 team to take the evaluation into consideration when preparing their final report. The Council also requests the GEF Office of Monitoring and Evaluation to report on follow-up actions taken to implement the management response in June 2006, taking into account the decision of the Council on the management response.

15. The Council reviewed document GEF/C.25/3, *Relations with Conventions and other Institutions*, and welcomed the progress made in support of international environmental conventions and GEF collaboration with the UN Commission on Sustainable Development.

16. The Council requests the GEF Secretariat and the Implementing and Executing Agencies to continue to seek opportunities to work with recipient countries to develop and implement projects consistent with the decisions of the Conventions. The GEF Secretariat is requested to maintain its consultations with the Implementing Agencies, Executing Agencies and Convention Secretariats to promote continued responsiveness to convention guidance and to keep the Council informed of the progress that is being made.

17. The Council reviewed and approves the proposed interim approach to the financing of biosafety capacity building activities in accordance with the guidance from the Convention pending the completion of the evaluation of activities carried out under the initial strategy to assist countries to prepare for the entry into force of the Cartagena Protocol. The Council requests the Secretariat to prepare, in consultation with the Implementing Agencies, a proposed strategy on the most efficient and effective means to provide additional support to countries to strengthen their capacity to implement national biosafety frameworks, as called for in the guidance of the Convention, once the evaluation expected in November 2005 is completed.

18. The Council requested the GEF Secretariat and Implementing Agencies to take steps to avoid duplication with the activities of other donors and countries in the funding of biosafety activities.

19. The Council requests the GEF Secretariat to prepare a report for the November Council meeting on GEF activities related to forests, including:

- (a) GEF's potential to enhance sustainable forest management objectives in GEF operational programs, including activities in OP3 and OP15, and an identification of difficulties and obstacles together with strategies to enhance support;
- (b) an indicative breakdown of the types of GEF funding for forests (e.g., protected areas, sustainability forest management of productive forests, including production, reforestation and forest rehabilitation); and

- (c) ways to enhance PDF financing for the development of sustainable forest management, including through attracting matching financing from CPF members.

20. The Council requests the Secretariat and the Convention Secretariats to work together to include in reports on relations with conventions updated information on progress being made in:

- (a) submission of national communications to the UNFCCC and national reports to the CBD;
- (b) progress being made towards ratification of the Cartagena Protocol and the Stockholm Convention by those countries who have expressed their intention to do so in order to access GEF financing; and
- (c) status of ODS phase out by economies in transition receiving GEF financing for ODS projects.

*Decision on Agenda Item 8*

*Report on Climate Change Funds*

21. The Council, having reviewed GEF/C.25/4, *Status Report on the Least Developed Countries Fund for Climate Change and the Special Climate Change Fund*, welcomes the first completed NAPA from the Islamic Republic of Mauritania and the progress that has been made in financing the preparation of National Adaptation Programs of Action (NAPAs) by the LDC Parties to the UNFCCC. The Council also welcomes the formulation of policies and procedures for the support of projects under the SCCF, and the successful outcome of the meeting of donors for resource mobilization. The Council requests the Secretariat and the Implementing Agencies to expedite processing of projects under the funds. The Council approves an administrative budget of US\$ 466,400 and US\$ 538,200, respectively, to cover the expenses of the GEF Secretariat and the Trustee in administering the LDCF and the SCCF for FY06 and FY07

*Decision on Agenda Item 9(a)*

*Scope and Coherence of the Land Degradation Activities in the GEF*

22. The Council, having reviewed document GEF/C.24/6/Rev.1, *Scope and Coherence of the Land Degradation Activities in the GEF*, welcomes the revisions that have been made to the earlier draft of the paper. The Council requests the GEF Secretariat, in consultation with the Implementing and Executing Agencies and the UNCCD Secretariat, to continue its work on elaborating the paper, taking into account the comments and revisions noted by the Council Members. The Council agrees to revisit the paper at a later date.

*Decision on Agenda Item 9(b)*

*Memorandum of Understanding between UNCCD and the GEF*

23. The Council, having reviewed the *Proposed Memorandum of Understanding between the United Nations Convention to Combat Desertification in those countries experiencing serious drought and/or desertification, particularly in Africa and the Global Environment Facility*, jointly prepared by the Executive Secretary of the UNCCD and the CEO/Chairman of the

Facility, requests the CEO/Chairman of the Facility to transmit the MOU to the Executive Secretary of the UNCCD for submission to the seventh session of the Conference of the Parties to the UNCCD with a view to its consideration and adoption by the COP in order to support collaboration with, and implementation of, the Convention. Once approved by the COP, the MOU should be submitted to the Council for approval.

*Decision on Agenda Item 10*                      *Work Program*

24. The Council reviewed the proposed work program submitted to Council in document GEF/C.25/6, and approves it subject to comments made during the Council meeting and additional comments that may be submitted to the Secretariat by June 22, 2005.

25. The Council also reviewed and approved *Turkmenistan: Conservation and Sustainable Use of Globally Significant Biological Diversity in Khazar Nature Reserve on the Caspian Sea Coast* (UNDP), a project proposal that was initially submitted for Council review in the February 2005 intersessional work program.<sup>1</sup>

26. The Council finds that with the exception of:

*Regional (Cook Islands, Fiji, Kiribati, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu): Pacific Islands Greenhouse Gas Abatement through Renewable Energy Project (PIGGAREP) (UNDP);*

*Regional (Ethiopia, Madagascar, Namibia, South Africa): Demonstrating Cost Effectiveness and Sustainability of Environmentally-sound and Locally Appropriate Alternatives to DDT for Malaria Control in Africa (UNEP);*

*Regional (Benin, Guinea, Mali, Mauritania, Senegal, Niger): Reducing Dependence on POPs and other Agro-Chemicals in the Senegal and Niger River Basins through Integrated Production, Pest and Pollution Management (UNEP),*  
and

*China: Demonstration of Alternatives to Chlordane and Mirex in Termite Control (World Bank)*

each project presented to it as part of the work program is or would be consistent with the Instrument and GEF policies and procedures and may be endorsed by the CEO for final approval by the Implementing or Executing 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.

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<sup>1</sup> The Council Member representing the United States objected to the project proposal due to concerns regarding governance in the country.

27. With respect to the projects listed above, the Council requests the Secretariat to arrange for Council Members to receive draft final project documents and to transmit to the CEO within four weeks any concerns they may have prior to the CEO endorsing a project document for final approval by the Implementing or Executing Agency. Such projects may be reviewed at a further Council meeting at the request of at least four Council Members. Before circulating the projects to the Council, the CEO is requested to check that Council comments have been adequately responded to in the draft final project.

28. With respect to *Global: Development of National Biosafety Frameworks Project (10 additional countries) – Add On* (UNEP) a project document that was submitted to the Council for review prior to CEO endorsement, the Council agrees that the project should be endorsed by the CEO.

29. The Council requests UNEP to report in May 2006 on the steps it has taken to incorporate agreed recommendations from the biosafety evaluation into its biosafety portfolio of activities.

30. Council's approval of the project proposal, *Global: Renewable Energy Enterprise Development - Seed Capital Access Facility* (UNEP), is contingent upon UNEP securing agreement prior to CEO endorsement from the World Bank/IFC or one of the regional development banks or another credible financial institution to jointly implement the project. If after one year UNEP has not found a partner from amongst such financial institutions, the project is to be removed from the work program and returned to the pipeline until an appropriate partner can be found.<sup>2</sup>

31. With respect to *Brazil: EFCC Advanced Technology Cogeneration Project for the Costa Pinto Sugar Refinery in Piracicaba SP Brazil* (World Bank/IFC), the Council confirms that:

- (a) any replication of this project should be conditional upon an independent evaluation of the project;
- (b) tranche 2 of the project should be circulated to Council prior to CEO endorsement, subject to the standard procedures for CEO endorsement; and
- (c) the project should be subject to rigorous GEF pipeline management procedures by the GEF Secretariat and the World Bank. In this context, Council requests a status report for this project for the November 2007 Council Meeting, at which point the Council will decide whether adequate progress has been made towards achievement of financial closure.

32. With regard to the project proposal, *China: Demonstration of Alternatives to Chlordane and Mirex in Termite Control* (World Bank), it was agreed that the project proposal would be changed to address the concerns raised by the Council Members, and with these changes, the proposal would be circulated to the Council prior to CEO endorsement.

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<sup>2</sup> One Council Member opposed the project on the grounds that UNEP is not qualified to manage such a capital facility or make an assessment about the credibility of a financial institution, and because the GEF Instrument does not provide for UNEP to do so.

33. Regarding the project proposal, *Regional (Cook Islands, Fiji, Kiribati, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu): Pacific Islands Greenhouse Gas Abatement through Renewable Energy Project (PIGGAREP)* (UNDP), the Council requested that more information be provided on the feasibility of the objectives of the program in the final project document.

*Decision on Agenda Item 11*

*Corporate Budget FY06*

34. The Council reviewed the proposal for a corporate budget presented in document GEF/C.25/7 and approves a FY06 Corporate Budget of US\$24.928 million comprising:

- (a) US\$23.373 million for the resource requirements of the six GEF units (Secretariat, UNDP, UNEP, World Bank, STAP, and Trustee) for their planned corporate management activities and deliverables; and
- (b) Special Initiatives in the amount of US\$ 0.55 million to operationalize the Resource Allocation Framework, US\$0.075 million for the fourth replenishment of the GEF Trust Fund, and US\$0.93 million to prepare for the Third Assembly.

35. The Council notes that the budget for the independent Office of Monitoring and Evaluation, the seventh GEF unit, was considered and approved under a separate agenda item.

*Decision on Agenda Item 12*

*Process for Selecting CEO/Chairman of the Facility*

36. The Council, reviewed document GEF/C.24/11/Rev.1, *Process for Selecting the CEO/Chairperson of the Facility*, agrees that the process for selecting the CEO/Chairperson of the Facility should be transparent, efficient, inclusive of all Council Members, merit-based, and six months in length.

37. Recognizing the provisions of paragraph 21 of the Instrument pertaining to the appointment of the CEO/Chairperson of the Facility, the Council approves the following steps to be followed in selecting the CEO/Chairperson of the Facility:

- (a) At the Council meeting at least six months prior to the expiration of the term of the CEO, Council decides either: (i) to reappoint the incumbent CEO; or (ii) to start the process for selection of a new CEO.
- (b) If a new CEO is to be selected, at the same Council meeting, the Council will approve the terms of reference for the CEO, the process for advertising the position, the terms of reference for an independent consulting firm, and the budget to support the process.
- (c) An independent firm will be selected by the Implementing Agencies to screen all applicants and to choose those who meet the criteria/qualifications specified in the TOR.
- (d) Position is advertised.

- (e) Initial screening to prepare a list of all applicants meeting criteria/qualifications (done by outside consulting firm with advice of representatives of the human resource departments of the three Implementing Agencies).
- (f) Committee comprising senior representatives designated by the three Heads of the Implementing Agency prepares preliminary short list of up to ten candidates, which will be a closed list.
- (g) Implementing Agencies to consult with the Council on the preliminary short list.
- (h) Selection Committee comprised of the Heads of the Implementing Agencies or their representatives prepares a final short list of candidates to be interviewed, interviews candidates, and consults with Council Members.
- (i) Based on the interviews and consultations carried out by the Selection Committee, the Implementing Agencies will jointly make a recommendation to the Council for the Council's final consideration and decision. The number of candidates to be formally presented to the Council will be agreed in November 2005.
- (j) The Council appoints the CEO at the Council meeting just prior to the expiration of the term of the incumbent CEO.

38. The Council requests the GEF Secretariat, in collaboration with the Implementing Agencies and taking into consideration proposals made at the Council meeting, to prepare a proposal for a well defined and time bound process for carrying out robust and transparent consultations with all Council Members during the selection process for review and approval by the Council at its meeting in November 2005. Council Members are invited to submit their written views and suggestions on the consultation process to the Secretariat by September 1, 2005, to assist the Secretariat and the Implementing Agencies in preparing their proposal.

39. The Council notes that at its meeting in November 2005, the Council will decide: (a) to extend the incumbent CEO for a new term; or (b) start the process for selection of a new CEO.

*Decision on Agenda Item 13*

*Resource Allocation Framework*

40. The Council agrees to suspend the three motions that were tabled by Council Members at the meeting in November 2004 with a view to reaching a final decision by consensus.

41. The Council notes the Secretariat's proposal on a resource allocation framework (GEF/C.25/CRP.5), agrees to an extraordinary meeting of the Council in August/September 2005 to finalize the structure of the RAF, and requests the Secretariat to prepare a comprehensive proposal for Council's consideration at the meeting.

*Decision on Agenda Item 14*

*Fee System*

42. The Council, having reviewed GEF/C.23/8/Rev.1, *Proposal for Revising the Fee System*, agrees with the proposal to implement a flat fee of 9 percent of the GEF grant.<sup>3</sup> It is clearly understood that with this new system will be reviewed and discussed at the June 2006 Council meeting and that there will be no fee premiums.

43. The Council requests the Secretariat, in collaboration with the Implementing and Executing Agencies, to closely monitor the configuration of projects entering the project pipeline with a view to determining whether the new fee system is having any adverse impacts and to report to the Council at each of its meeting on the results of its monitoring. In monitoring the pipeline, the Secretariat is requested to pay particular attention to medium sized projects and whether the new fee system is adversely impacting the number of quality MSPs being proposed for pipeline entry.

44. The Secretariat is also requested to report to the Council at its meeting in June 2006 on any particular difficulties the Executing Agencies may be experiencing under the new fee structure with a view to allowing the Council to consider options to address those difficulties.

*Decision on Agenda Item 15*

*Strengthening focal points and Council Members*

45. The Council, having reviewed the paper GEF/C.25/9, *Elements for Strengthening National Focal Points and Enhancing Constituency Coordination in GEF Recipient Countries*, approves a new four year phase of the program of assistance to strengthen national focal points and Council Members. The Council requests the GEF Secretariat and the Implementing Agencies to collaborate in preparing a proposal to operationalize and finance the program for approval by the Council at its meeting in November 2005. In preparing the proposal, a clear separation should be made between administrative costs and capacity building costs with a view to incorporating administrative costs in the corporate budget.

*Decision on Agenda Item 16*

*Procedures for approval of work programs*

46. The Council, having reviewed GEF/C.25/10, *Clarification of Procedures for Council Review and Approval of the Work Program*, agrees to the following clarifications:

- (a) During the four week review period, Council Members may submit questions of clarification or requests for additional information to the relevant Implementing/Executing Agency on any project proposal in the proposed work program;
- (b) Implementing/Executing Agencies will make their best efforts to respond to all questions or requests in a timely manner;

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<sup>3</sup> The Council Member representing the United States opposed the decision to move to a flat rate system, due to concerns about the appropriate rate, the impact this may have on executing agencies, the portfolio mix and the potential risk of agencies moving to areas not in their comparative advantage..

- (c) All written requests and written responses will be copied to the Secretariat, and the Secretariat will post them on the website to ensure transparency and assist other Council Members in their decision making process; and
- (d) Notwithstanding any questions of clarification posed during the review period, Council Members may submit technical comments for the agencies to take into consideration in the further development of the project proposals to the Secretariat within the specified time available for such comments. The Secretariat will collate all technical comments, share them with the Implementing and Executing Agencies, and post them on the GEF website.

47. Nothing in this clarification or decision will be viewed as limiting Council's authority at any time to ask questions on any GEF issue of management and the Implementing and Executing Agencies or to discuss any GEF matter with management and the Implementing and Executing Agencies.

*Decision on Agenda Item 19                      Confirmation of constituencies*

48. The Council confirms the following constituency grouping:

Cook Islands, Fiji, Indonesia, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Philippines, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

*Decision on Agenda Item 20                      Other Business*

49. The Council discussed GEF/C.25/Inf. 6, *GEF Trust Fund Audit Issues*, and requests that there be annual Council discussion of financial statements and audits to ensure the adequacy of public financial reports.

**HIGHLIGHTS OF COUNCIL'S DISCUSSIONS**

50. The following understandings, clarifications and comments were made during the Council's discussions of its agenda items and related decisions.

*Agenda Item 5(a)                                      GEF Office of Monitoring and Evaluation Progress Report*

51. Council Members expressed appreciation for the work completed by the Office and the clear signs of increasing independence and credibility.

52. Council Members suggested that the progress report should be a Council decision paper instead of an information document.

53. The dynamism and progress in the consultative process was positively received. The importance of the process to develop a new GEF monitoring and evaluation policy and to establish minimum standards was stressed.

54. The new GEF monitoring and evaluation policy should propose cost-savings that may be achieved through a new division of labor between the Office of Monitoring and Evaluation, the Secretariat and the Implementing and Executing Agencies.

*Agenda item 5(b) Annual Performance Report*

55. The Council expressed support for the new Annual Performance Report, took note of its findings and supported the recommendations with some modifications.

56. Council Members underscored that the project cycle elapsed times are still too long. They agreed with the need for more transparency in the approval process.

57. Several Council Members indicated that it might be necessary to examine the current GEF structure and project cycle.

58. Some Council Members cautioned against excessively costly and cumbersome IT systems.

59. Several Council Members indicated that in the future, management responses should more directly address the issues and recommendations raised by the Annual Performance Report, provide options to address the recommendations and provide a cost estimate for the proposed options.

*Agenda item 5(c) Four Year Rolling Work Program and Budget*

60. Some Council Members suggested that there is no need to change the interaction between OME and Council. Others requested that options be considered and proposed to the Council by the Director of OME in November 2005.

*Agenda item 5(d) Draft Third Overall Performance Study (OPS3)*

61. Council Members noted that the recommendations would be important inputs to the replenishment process as long as they are more concrete and operational in the final version.

62. Council Members underscored the following issues raised in the report:

- (a) limited strategies in the focal areas;
- (b) need for increasing focus on country level programming and strategies;
- (c) unclear mechanisms for sustainability;
- (d) need for clarification of incremental cost;
- (e) limited ways of measuring impacts;
- (f) need for improvements regarding knowledge management and information system.

63. In preparing the final report, the consultants were requested to take into account the following comments:

- (a) more information and analysis on land degradation needed as OP15 is more than desertification;
- (b) clarify the type of country programming;
- (c) clarify OPS3 understanding of RAF;
- (d) limited assessment of the political side of the GEF (i.e., relationships between GEFSEC and the conventions, synergies between conventions, impact of the World Bank being the major player);
- (e) differentiate recommendations from different audiences;
- (f) verification of GEF3 targets (reported to Council in November 2004) concerns only inputs and should be downplayed; and
- (g) misunderstandings in the OPS perception of GEF's relations with the conventions.

64. Council also took note of the comments provided by the High Level Advisory Panel.

65. Council requested a shorter executive version of the report to be prepared with major achievements and results, strategic issues, shortcomings and recommendations. Once finalized, the reports should be translated into major UN languages and published during the coming months. Some Council Members indicated that they will not be able to comply with the June 15, 2005, deadline for comments and requested flexibility in the deadline for submitting comments.

*Agenda item 5 (e)                      Review of the GEF Operational Program 12*

66. It was recognized that integrated ecosystem management is a relatively new and complex area and that the evaluation of OP 12 was based on quality at entry since there are not yet any outcomes.

67. Some Council Members acknowledged the many similarities in OP 12 and 15 which both cover multiple focal areas and suggested that the lessons learned from OP 12 would be important for the future evolution of OP 15.

68. Several Council Members stressed the importance of the scientific base for GEF projects and of maintaining the integrity of scientific review of GEF projects. The upcoming STAP retreat was seen as a good opportunity to identify ways to address issues raised in the evaluation.

69. The GEF Secretariat confirmed that together with the Implementing Agencies it was already implementing some of the recommendations from the evaluation, such as the recommendation to clean up the project pipeline for OP12 and to establish checks and balances to address quality at entry. In addition, many of the recommendations of the evaluation have also been incorporated into the programming proposals for GEF-4.

70. The World Bank asked that Council take into consideration the fact that some evaluated projects were still in the appraisal stage and that performance indicators are not finalized until after the appraisal process is complete. The World Bank further noted that there was no correlation between project quality and the STAP roster quality and asked that Council recognize the new and complex nature of the OP.

*Agenda Item 7*

*Relations with Conventions and Other Institutions*

71. In approving the interim approach to biosafety, it was agreed that the Implementing Agencies and recipient countries for which projects and project preparation may be approved in the interim period should take into account the recommendations of the biosafety evaluation as agreed by the Council in the continued development and implementation of their projects.

72. The Council welcomed efforts to promote synergies among the conventions.

73. The Secretariats of GEF and the Conventions were requested to work together to support the Conferences of the Parties in rationalizing guidance from the conventions, recognizing that the conventions are continuously approving new guidance to the GEF.

74. The Council took note that it would receive at its next Council meeting information on the decisions relevant to the GEF taken by the first Conference of the Parties to the Stockholm Convention that was held in Uruguay in May and proposed follow-up activities.

*Agenda Item 8*

*Report on Climate Change Funds*

75. The Secretariat was requested, when making requests for administrative costs, to include a table setting forth the expenses associated with the requested budget.

*Agenda Item 9*

*Land Degradation*

*Agenda Item 9(a)*

*Scope and Coherence of the Land Degradation Activities in the GEF*

76. A number of Council Members noted that the definition and discussion of incremental costs in the paper did not provide sufficient clarity on the distinction between local and global benefits in the land degradation area, and that the sliding scale approach to incremental cost was an inappropriate modality to be applied until such time as basic principles had been clarified.

77. It was suggested that the outcome of the OME review of incremental costs proposed for OME's FY06 work program be taken into consideration in further development of this issue.

78. Some Council Members noted that the resources available for the land degradation focal area were not sufficient to meet the demands of countries, and they called for increased resources for the focal area in GEF-4. Others pointed to the substantial resources available for land degradation through the other focal areas.

79. A number of Council Members called for more attention to be paid to deforestation and sustainable forest management in OP15 and the revised paper. Council Members also noted the

importance of maintaining balance between the resources allocated to desertification and those allocated to deforestation in the land degradation focal area. One Council Member requested the development of criteria for prioritizing GEF resources among land areas.

80. The Secretariat was requested to present to the next Council meeting ideas as to how GEF could contribute to the International Year of Deserts and Desertification.

81. The Council emphasized the importance of integrated natural resource management and promotion of synergies among the global environmental conventions. Some Council Members underscored that the GEF should be responsive to the objectives of UNCCD and other global environmental conventions in OP15.

82. It was also requested that the GEF give consideration in the revised report to land degradation problems in the Latin American region.

*Agenda Item 9(b) MOU between UNCCD and GEF*

83. The Council recognized the balance that had been achieved in the MOU between the various interests of the two Secretariats.

84. A number of Council Members stated that the title of the MOU did not accurately reflect the text of the MOU and asked for it to be changed.

*Agenda Item 10 Work Program*

85. The Secretariat was requested to review all projects prior to their entry into the work program to make sure that they meet GEF monitoring and evaluation standards.

86. The Secretariat was requested to include in the cover note to the work program the GEF principles underlying the formulation of projects to assist Council Members to better understand the project proposals.

*Agenda Item 11 Corporate Budget FY06*

87. The Secretariat was requested to adopt a more incremental approach to the budget, recognizing that the GEF corporate budget is used to finance a set of core activities, many of which are continuous from year to year while others are new tasks which replace old tasks. Given that the core budget is intended to cover this ongoing set of basic responsibilities, increments to the budget will take place only when significant new initiatives, piloted in some cases through special initiatives, become part of the on-going core responsibilities of the GEF.

88. The Council requested more information on staffing and budget expenses for all six units, a priority listing of the work to be undertaken, and fuller explanations of any changes proposed in the budget expense categories from previous years.

89. The Secretariat was requested to prepare a compilation of all financial resources approved for administrative expenses, including the GEF corporate budget, the budget of the Office of Monitoring and Evaluation, and special initiatives, in order to provide the Council with

an overall picture. The Secretariat was also requested to prepare a table showing work program expenditures compared to the administrative expenditures (corporate budget, fees, etc) of the GEF.

90. The Council noted that the GEF should remain vigilant in avoiding large increases in the administrative budget to ensure that maximum resources would be available for project activities in recipient countries.

91. It was noted that the Secretariat would prepare for the Council meeting in May 2006 a more accurate estimate of the costs of the third GEF Assembly, and that any savings in the cost of preparation during this fiscal year would be rolled over to the next fiscal year to defray the Assembly's costs.

*Agenda Item 12 Process for Selecting CEO/Chairman of the Facility*

92. The Council stressed the importance of the Council playing an active role in the selection of the CEO/Chairman of the Facility.

93. The Council agreed that the selection process should take approximately six months and should begin and end with two consecutive Council meetings.

94. A number of Council Members stressed that the cost of the process should be minimized.

95. Several Council Members supported limiting a CEO/Chairman to two terms.

*Agenda Item 13 Resource Allocation Framework*

96. A number of Council Members noted the important progress that had been made at the meeting towards reaching consensus on the RAF. The CEO/Chairman stressed the need to reach final agreement at the extraordinary meeting in August/September 2005 if the replenishment meetings are to go forward.

97. The Council Member representing Azerbaijan, Kazakhstan, Kyrgyz Republic, Switzerland, Tajikistan, Turkmenistan and Uzbekistan requested that his statement on the RAF be included in the joint summary. The statement is attached as annex A. The Council Member representing Austria, Belgium, Czech Republic, Hungary, Luxembourg, Slovak Republic, Slovenia and Turkey fully supported the statement.

98. The Council noted the statement that had been submitted to all Council Members by the NGO network.

*Agenda Item 14 Fee System*

99. The Council welcomed the effort to reach agreement on a fee system that was simple and transparent and would lead to efficiency gains. However, some Council Members indicated that there was insufficient evidence and analysis to justify the proposed 9% level.

100. Several Council Members suggested that the system should also include a floor and cap.

101. A number of Council Members expressed concerns that a flat fee would act as an incentive to develop large projects and would serve as a disincentive to develop medium sized projects. Therefore, the Council requested that the impacts of the flat fee system be carefully monitored, particularly with respect to project mix and distribution of projects among the agencies.

102. The Executing Agencies noted their concerns that as new partners in the GEF, with small emerging portfolios and no corporate budget, a 9% flat fee would not be sufficient to meet their costs of doing business with the GEF.

*Agenda Item 15*

*Strengthening Focal Points and Council Members*

103. All Council Members expressed their strong support for the objectives of the program to support focal points and Council Members.

104. Recipient countries stressed the need for assistance and capacity building to assist them in carrying out their responsibilities under the GEF and in promoting country ownership.

105. The importance of the focal point in promoting the identity of the GEF at the country level, in integrating GEF objectives into national sustainable development plans and strategies, and in integrating GEF projects with activities of other multilateral and bilateral donors was recognized.

106. In response to comments by several Council Members on the role of the Implementing Agencies, the agencies confirmed their willingness to continue to provide assistance to focal points at the country level and supported the proposed role of UNEP in facilitating the disbursement of funds to focal points. It was explained that this was a financial service that UNEP was able to provide to the GEF in an agile manner that was not possible through the other two Implementing Agencies. UNDP and the World Bank confirmed that they will continue to be responsive to requests by focal points for assistance.

107. A number of Council Members asked for timely disbursement of funds and flexibility in implementing the program to ensure that the needs of countries are effectively met.

108. The importance of financial reporting and measurement of results was stressed by several Council Members.

109. Some Council Members requested that the GEF communications and outreach strategy place greater emphasis on outreach at the country level.

*Agenda Item 16*

*Procedures for approval of work programs*

110. The Secretariat agreed to prepare a short description of the project cycle, including appropriate graphics, to better inform interested stakeholders of the steps in the project cycle and clearer criteria to distinguish what projects should be included in the work programs to be submitted to Council meetings and what projects may be included in intersessional work programs to be approved by mail.

111. Council Members were requested to ensure that they provide comments within the period specified in the project cycle to enable the agencies to proceed with the expeditious development of project proposals.

*Agenda Item 20*

*Other Business*

112. The Trustee indicated that the Implementing Agencies and the Trustee have a fiduciary responsibility to ensure that funds are used for the purpose intended, and that all unused funds are offset against any transfers to Implementing and Executing Agencies.

113. The Trustee provided an explanation of its financial overview processes which include consultations with the Implementing and Executing Agencies to identify best practices and ways to streamline financial procedures.

114. The Council agreed to defer its consideration of agenda item 17, *Cost Effectiveness of GEF projects*, and agenda item 18, *Review of Action Plan to Respond to Recommendations for Improving GEF's Performance*, until its next meeting.

**Closure of the Meeting**

115. The Chairs closed the meeting on June 8, 2005.

## ANNEX A

116. The Constituency, comprising Azerbaijan, Kazakhstan, Kyrgyz Republic, Switzerland, Tajikistan, Turkmenistan and Uzbekistan expresses its serious concern regarding this Secretariat proposal. While in favor of any truly performance-enhancing measures, we are worried that the proposed “RAF” is not in line with the GEF’s mandate to protect the global environment, and incompatible with the spirit and letter of the Multilateral Environment Agreements the GEF is serving.

117. We see no proven evidence that RAF will lead to performance improvements. The complete lack of public disclosure in RAF means that the GEF will no longer be fully transparent. We question the exclusionary nature of RAF and the fact it lacks incentives for those considered to be low performers.

118. We specifically oppose the ranking and categorization of recipient countries through non-transparent assessments based on questionable criteria. GEF resources should not be pre-allocated on such a basis.

119. We regard it as unacceptable that Council Members will not be able to verify on what basis the majority of GEF funding is pre-allocated.

120. We are concerned that RAF will result in complication of GEF operations, aside from permanent increase in transaction costs. Meanwhile, we consider the promised benefits of RAF to be elusive.