SUMMARY OF NEGOTIATIONS
OF THE SECOND REPLENISHMENT OF THE GEF TRUST FUND
Summary of Negotiations of the Second Replenishment of the Global Environment Facility GEF Trust Fund

1. The Contributing Participants to the Second Replenishment ("the Participants") agreed to this Summary of Negotiations for transmittal to the GEF Council, along with the attached documents: The GEF Trust Fund: Second Replenishment of Resources (Annex A) and Policy Recommendations for the Second GEF Replenishment Period (Annex B).

The Replenishment Process

2. On February 7, 1997, the GEF Council requested the World Bank, as Trustee of the GEF Trust Fund, in cooperation with the CEO/Chairman of the GEF, to initiate the second replenishment of the Trust Fund ("GEF-2"). Accordingly, the Trustee invited potential GEF contributing participants to an initial meeting to plan the replenishment negotiations (March 1997 in Paris). At that meeting, agreement was reached on the arrangements for participation in the replenishment discussions and on a schedule and work plan for such discussions. It was agreed that the replenishment discussions would be structured to consider the following subjects: (i) the programming of resources for GEF-2 and the replenishment target; (ii) burdensharing for GEF-2; and (iii) assessment of GEF performance during the first replenishment period (GEF-1).

Programming of Resources under GEF-2 and the Replenishment Target

3. The discussions on GEF programming identified a number of factors which are expected to drive a steady growth in demand for resources during GEF-2: (i) the institutional arrangements provided for in the Instrument for the Establishment of the Restructured GEF (the "Instrument") have been put in place during GEF-1; (ii) a clear strategic direction for GEF financing has now been defined through specific operational programs (in the case of biodiversity and climate change, consistent with the guidance of the Convention on Biological Diversity and the U.N. Framework Convention on Climate Change); (iii) there has been a rapid increase in the number of eligible recipient countries; (iv) there has been a large number of country-enabling activities which has increased future demand for GEF project funding and the capacity for its implementation;

and (v) with the help of the GEF’s Project Development Facility as well as other sources, the pipeline of projects is developing rapidly.

4. In view of the steady growth in demand for GEF resources, the Participants agreed that the target size of the Second Replenishment should be $2.75 billion.

Status of Contributions to GEF-1

5. In the course of the replenishment process, the Participants expressed concern about the delays in payments by some Participants under GEF-1, stressing that these need to be addressed and should not recur under GEF-2. Ireland, Luxembourg and Spain became current on payments in the course of the replenishment negotiations. At the final replenishment meeting held in February 1998, the US reported that the Administration had included payments to GEF-1 to cover its obligations and all arrears in its FY99 budget proposal to the US Congress. Italy stated that it expected legislation to be passed in a matter of weeks to permit payment of all amounts due. Brazil and Argentina stated that they continue to work on making their payments. These countries expressed their commitment to clear these arrears. Other Participants noted that these assurances were essential to an agreement on GEF-2.

GEF-2 Burdensharing Framework and Final Pledging

6. The basic framework for burdensharing was agreed over the course of several meetings prior to February 1998. The Participants agreed to use GEF-1 basic shares for burdensharing under GEF-2. Some Participants expressed concern that GEF-1 basic shares (derived from IDA-10 shares) were not the most appropriate basis for GEF contributions as these are adjusted GNP shares for many Participants. Nevertheless, they agreed to accept this basis, recognizing that a consensus could be reached by using this approach. The Participants also adopted the period from May 1, 1997 to October 31, 1997 for calculating the average exchange rates that would be used. During the replenishment period, Nigeria, Russia and Slovenia all joined the discussions as new GEF replenishment participants.

7. Tables were circulated to Participants showing what contributions would be required to reach full funding and various other levels of funding, depending upon an agreed funding gap. Conscious of the replenishment target of $2.75 billion and the opportunity to stress the importance of the global environment, a broad-based group of Participants sought to achieve full funding of the replenishment. Accordingly, a majority of Participants pledged their full funding share subject to a broad-based effort towards full funding. Additional
efforts will be needed by those Participants who have not contributed the share required to meet the full funding of the Replenishment at this time. Such Participants have indicated their intention to make their best efforts to increase their contributions during the period of the second replenishment. The United Kingdom indicated a supplementary contribution of GBP 4.25 million once such additional efforts have been made. Under the same condition, The Netherlands is prepared to give an additional, supplementary contribution of SDR 1 million. Germany is prepared to increase its share by an amount equivalent to SDR 11.56 million subject to Parliamentary approval, as well as to clearance of all GEF-1 arrears by the major Participants and adequate participation of the major Participants towards closing the funding gap. France is prepared to increase its contribution by an amount equivalent to SDR 4.16 million on the same conditions. A number of other Participants, representing recipient as well as non-recipient countries, pledged unconditional supplementary contributions. Potential new Participants are also urged to make their best efforts to contribute towards filling the gap.

8. The Participants approved the Replenishment Document, *The GEF Trust Fund: Second Replenishment of Resources*, which is in the form of a World Bank resolution, to be endorsed by the GEF Council and submitted to the World Bank, as Trustee of the GEF Trust Fund, for adoption by the World Bank Executive Board (see Annex A).

9. Pledged contributions to GEF-2 are reflected in Attachment 1 to the Replenishment Document, *Global Environment Facility Trust Fund - Second Replenishment: Contributions*. These are comprised of basic and supplementary contributions. As a result, an amount of S$81.6 million (SDR 59.5 million), or 2.97% of the replenishment target of S$2.75 billion has been left unallocated at this time.

10. Participants agreed to a schedule similar to that of GEF-1 for the deposit of notes. GEF-2 is envisaged to become effective on the date when the Trustee has received Instruments of Commitment or Qualified Instruments of Commitment from Participants whose contributions aggregate not less than SDR1,155 million (80% of the pledged contributions). The Advance Contribution Scheme for the GEF-2 is envisaged to become effective on the date when the Trustee has received Instruments of Commitment or Qualified Instruments of Commitment from Participants whose contributions aggregate not less than SDR 289 million (20% of the pledged contributions).

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2 The amounts shown in the third column “Adjustments Towards Full Funding” would make it possible to come closer to the full funding level.
Assessment of GEF-1 Performance and Policy Recommendations for GEF-2

11. During 1997, two independent studies of the GEF and its performance under GEF-1 were undertaken: (i) Study of the GEF’s Overall Performance; and (ii) Study of GEF Project Lessons. Both reports will be considered by the GEF Council and Assembly in March/April of this year. The Participants attributed considerable importance to the findings of these reports and drew on the reports’ findings as well as other studies to put forward some key policy recommendations for Council consideration with a view to their approval and follow-up action. The policy recommendations for the GEF-2 are attached to this Summary (see Annex B).

Steps towards Concluding the Process of the Second GEF Replenishment

12. The Participants requested the CEO to forward this Summary, including the Annexes attached to it, to the Council for consideration at its meeting in March 1998. The Council is invited to take note of the Summary, endorse the Replenishment Document and approve the policy recommendations.

13. The Participants also invite the Council to request the CEO to transmit Annex A to this Summary, The GEF Trust Fund: Second Replenishment of Resources, to the World Bank with a request that it be submitted for adoption by the World Bank Executive Directors, thereby authorizing the World Bank, as Trustee of the GEF Trust Fund, to manage the resources made available under GEF-2. Furthermore, the Council is invited to request the CEO, in conformity with Paragraph 22 and Annex D, Paragraph 7 of the Instrument, to transmit this Summary, together with the independent studies of the GEF referred to in paragraph 11, to UNDP, UNEP and the World Bank, inviting them, in their roles as Implementing Agencies, to take note of the replenishment and to accept and take appropriate action on the Council’s approved policy statement.
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
EXECUTIVE DIRECTORS’ RESOLUTION NO. 98-

GLOBAL ENVIRONMENT FACILITY TRUST FUND:
SECOND REPLENISHMENT OF RESOURCES

WHEREAS:

(A) The participants contributing to the Global Environment Facility Trust Fund ("the GEF Trust Fund"), (jointly, "the Contributing Participants," each "a Contributing Participant") having considered the prospective financial requirements of the GEF Trust Fund, have concluded that additional resources should be made available to the GEF Trust Fund for new financing commitments for the period from July 1, 1998 to June 30, 2002 (the "Second Replenishment") and have agreed to ask their legislatures, where necessary, to authorize and approve the allocation of additional resources to the GEF Trust Fund in the amounts set out in Attachment 1 and according to the provisions set forth herein, and

(B) The Council of the Global Environment Facility (the "Council") having considered the Summary of The Negotiations on the Second Replenishment, including the policy recommendations made on the basis of the Overall Performance Study of the Global Environment Facility’s first replenishment period, has requested the Executive Directors of the World Bank to authorize the World Bank as Trustee of the GEF Trust Fund to hold in trust and manage the resources made available for the Second Replenishment;

(C) It is desirable to administer any remaining funds from the first replenishment of the GEF Trust Fund authorized by the Instrument for the Establishment of the Restructured Global Environment Facility (the "Instrument") and established by Resolution No. 94-2 of the Executive Directors of the International Bank for Reconstruction and Development (the "World Bank"), adopted on May 24, 1994, as part of this Second Replenishment;

(D) The World Bank, as provided for in Paragraph 8 and Annex B of the Instrument (adopted pursuant to Resolution No. 94-2 of the Executive Directors), is Trustee of the GEF Trust Fund and, in that capacity, will hold in trust and manage the resources made available for the Second Replenishment.

NOW THEREFORE the Executive Directors of the World Bank hereby note with approval the replenishment of the GEF Trust Fund in the amounts and on the basis set forth herein and authorize the World Bank as Trustee of the GEF Trust Fund (the "Trustee") to manage the resources made available for the Second Replenishment as follows:
Contributions

1. The Trustee is authorized to accept contributions to the GEF Trust Fund for the period from July 1, 1998 to June 30, 2002:

   (a) By way of grant from each Contributing Participant in the GEF Trust Fund in the amount specified for each Contributing Participant in Attachment 1; and

   (b) Otherwise as provided herein.

Instruments of Commitment

2. (a) Contributing Participants to the Second Replenishment shall be expected to deposit with the Trustee an instrument of commitment substantially in the form set out in Attachment 2 (“Instrument of Commitment”).

   (b) When a Contributing Participant agrees to pay a part of its contribution without qualification and the remainder is subject to enactment by its legislature of the necessary appropriation legislation, it shall deposit a qualified instrument of commitment in a form acceptable to the Trustee (“Qualified Instrument of Commitment”); such Contributing Participant undertakes to exercise its best efforts to obtain legislative approval for the full amount of its contribution by the payment dates set out in paragraph 3.

3. (a) Contributions to the GEF Trust Fund under sub-paragraph 1(a) shall be paid, at the option of each Contributing Participant, in cash by November 30, 1998, or in cash installments or through the deposit of notes or similar obligations in installments.

   (b) Payment in cash under sub-paragraph (a) above shall be made on terms agreed between the Contributing Participant and the Trustee that shall be no less favorable to the GEF Trust Fund than payment in installments.

   (c) Payments in installments that a Contributing Participant agrees to make without qualification shall be paid to the Trustee in four equal installments by November 30, 1998, November 30, 1999, November 30, 2000 and November 30, 2001, provided that:

   (i) The Trustee and each Contributing Participant may agree to earlier payment;
(ii) If the Second Replenishment shall not have become effective (as described in paragraph 6 below) by October 31, 1998, payment of the first such installment may be postponed by the Contributing Participant for not more than 30 days after the date on which the Second Replenishment becomes effective;

(iii) The Trustee may agree to postpone the payment of any installment, or part thereof, if the amount paid, together with any unused balance of previous payments by the Contributing Participant, shall be at least equal to the amount estimated by the Trustee to be required from the Contributing Participant, up to the date of the next installment, for meeting commitments under the GEF Trust Fund; and

(iv) If any Contributing Participant shall deposit an Instrument of Commitment with the Trustee after the date on which the first installment of the contribution is due, payment of any installment, or part thereof, shall be made to the Trustee within 30 days after the date of such deposit.

(d) If a Contributing Participant has deposited a Qualified Instrument of Commitment and thereafter notifies the Trustee that an installment, or part thereof, is unqualified after the date when it was due, then payment of such installment, or part thereof, shall be made within 30 days of such notification.

Mode of Payment in Installments

4. (a) Payments shall be made, at the option of each Contributing Participant, in cash on terms agreed between the Contributing Participant and the Trustee that shall be no less favorable to the GEF Trust Fund than payment in installments through the deposit of notes or similar obligations issued by the government of the Contributing Participant or the depository designated by the Contributing Participant, which shall be non-negotiable, non-interest bearing, and payable at their par value on demand to the account of the Trustee.

(b) The Trustee shall encash the notes or similar obligations on an approximately pro rata basis among donors, at reasonable intervals as needed for disbursement and transfers referred to in paragraph 8, as determined by the Trustee. At the request of a Contributing Participant that is also an eligible recipient under the GEF Trust Fund, the Trustee may permit postponement of encashment for up to two years in light of exceptionally difficult budgetary circumstances of the Contributing Participant.

(c) In respect of each contribution under paragraph 1(b), payment shall be made in accordance with the terms on which such contributions are accepted by the Trustee.
Currency of Denomination and Payment

5. (a) Contributing Participants shall denominate their contributions in Special Drawing Rights ("SDRs") or in a currency that is freely convertible as determined by the Trustee, except that if a Contributing Participant's economy experienced a rate of inflation in excess of ten percent per annum on average in the period 1994 to 1996 as determined by the Trustee as of the date this Resolution is adopted, its contribution shall be denominated in SDRs.

(b) Contributing Participants shall make payments in SDRs, a currency used for the valuation of the SDR, or, with the agreement of the Trustee, in another freely convertible currency. The Trustee may, in its discretion, freely exchange contributions received for any such currencies.

(c) Each Contributing Participant shall maintain, with respect to its currency paid to the Trustee and the currency of such Contributing Participant derived therefrom, the same convertibility as existed on the date on which this Resolution is adopted.

Effective Date

6. (a) The Second Replenishment shall become effective and the resources to be contributed pursuant thereto shall become payable to the Trustee on the date when Contributing Participants whose contributions aggregate not less than SDR 1,155.08 million shall have deposited with the Trustee Instruments of Commitment or Qualified Instruments of Commitment (the "Effective Date"), provided that this date shall not be later than October 31, 1997, or such later date as the Trustee may determine.

(b) If the Trustee determines that the Effective Date is likely to be unduly delayed, it shall promptly convene a meeting of the Contributing Participants to review the situation and to consider the steps to be taken to prevent any interruption of GEF financing.

Advance Contributions

7. (a) In order to avoid an interruption in the GEF's ability to make financing commitments pending the effectiveness of the Second Replenishment, and if the Trustee will have received Instruments of Commitment from Contributing Participants whose contributions aggregate not less than SDR 208.77 million, the Trustee may deem, prior to the Effective Date, one quarter of the total amount of each contribution for which an Instrument of Commitment has been deposited with the Trustee as an advance contribution, unless the Contributing Participant specifies otherwise in its Instrument of Commitment.
(b) The Trustee shall specify when advance contributions pursuant to paragraph (a) above are to be paid to the Trustee.

(c) The terms and conditions applicable to contributions under this Resolution shall apply also to advance contributions until the Effective Date, when such contributions shall be deemed to constitute payment towards the amount due from each Contributing Participant for its contribution.

Commitment or Transfer Authority

8. (a) Contributions shall become available for commitment by the Trustee, for disbursement or transfer as needed pursuant to the work programs approved by the Council under paragraph 20(c) of the Instrument and the administrative budget of the GEF approved by the Council under paragraph 20(j) upon receipt of payment by the Trustee of the contributions set out in sub-paragraphs 1(a) and (b) except as provided in sub-paragraph (c) below.

(b) The Trustee shall promptly inform all Contributing Participants if a Contributing Participant that has deposited a Qualified Instrument of Commitment and whose contribution represents more than 20 percent of the total amount of the resources to be contributed pursuant to the Second Replenishment has not unqualified at least 50 percent of the total amount of its contribution by November 30, 1999, or 30 days after the effective date, whichever is later, and at least 75 percent of the total amount of its contribution by November 30, 2000, or 30 days after the Effective Date, whichever is later, and the total amount thereof by November 30, 2001, or 30 days after the Effective Date, whichever is later.

(c) Within 30 days of the dispatch of notice by the Trustee under paragraph (b) above, each other Contributing Participant may notify the Trustee in writing that the commitment by the Trustee, of the second, third or fourth tranche, whichever is applicable, of such Contributing Participant’s contribution shall be deferred while, and to the extent that, any part of the contribution referred to in sub-paragraph (b) remains qualified; during such period, the Trustee shall make no commitments in respect of the resources to which the notice pertains unless the right of the Contributing Participant is waived pursuant to paragraph (d) below.

(d) The right of a Contributing Participant under sub-paragraph (c) above may be waived in writing, and it shall be deemed waived if the Trustee receives no written notice pursuant to such sub-paragraph within the period specified therein.

(e) The Trustee shall consult with the Contributing Participants where, in its judgment: (i) there is a substantial likelihood that the total amount of the contributions referred to in sub-paragraph (b) above shall not be committed to the Trustee without qualification by June 30, 2002, or (ii) as a result of Contributing Participants exercising their rights under sub-paragraph (c), the Trustee is or may
shortly be precluded from entering into new commitments for disbursement or transfer.

(f) Commitment and transfer authority shall be increased by:

(i) The income or investment of resources held in the GEF Trust Fund pending disbursement or transfer by the Trustee;

(ii) The amount of undisbursed commitments that have been cancelled; and

(iii) Payments received by the Trustee as repayment, interest or charges on loans made by the GEF Trust Fund.

(g) Commitment and transfer authority shall be reduced for the reimbursement of administrative costs charged against the resources of the GEF Trust Fund, as determined by the Trustee on the basis of the work program and budget approved by the Council.

(h) The Trustee may enter into agreements to provide financing from the GEF Trust Fund, conditional on such financing becoming effective and binding on the GEF Trust Fund when resources become available for commitment by the Trustee.
### Contributions to the Global Environment Facility Trust Fund

#### Second Replenishment ("GEF-2")

<table>
<thead>
<tr>
<th>Contributing Participants</th>
<th>GEF-1 Basic Share %</th>
<th>GEF-2 Basic Contributions SDR</th>
<th>Adjustment Towards Full Funding b/ SDR</th>
<th>Additional Supplementary Contributions SDR</th>
<th>GEF-2 Total Contributions SDR</th>
<th>GEF-2 Actual Shares Shares Based on (2) = (3)</th>
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<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
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<td>2.37</td>
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#### Additional Recipient Contributions

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<th>Recipients</th>
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<th>Additional Recipient Contributions SDRm</th>
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Total Contributions SDR 1,443,85

Total Contributions (US$) 1,981,34
Carry-over (US$) 677,00
Sub-total (US$) 2,658,34
Unallocated (US$) 81,65
Total (US$) 2,739,00
Total SDR 2,093,98

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a/ The percentage amounts contributed to the first replenishment of the Global Environment Facility ("GEF-1").
b/ The amounts shown in this column would make it possible to come closer to the full funding level.
c/ Based on average exchange rates for the period May 1 - October 31, 1997.
d/ Current pledges for these participants are below their GEF-1 basic shares; GEF-2 basic contributions reflect a share of 10.66% for Germany, 3.99% for Italy, and 20.84% for the United States.
e/ Additional efforts will be needed by those participants who have not contributed the share required to meet the full funding of the Replenishment at this time. Such participants have indicated their intention to make their best efforts to increase their contributions during the second replenishment. Potential new participants are also urged to make their best efforts to contribute towards filling the gap.
f/ Germany is prepared to increase its share by an amount equivalent to SDR 11.56 million subject to Parliamentary approval, as well as to clearance of all GEF-1 arrears by the major participants and adequate participation of the major participants towards closing the funding gap.
g/ France is prepared to increase its contribution by an amount equivalent to SDR 4.16 million on the same conditions.
h/ As soon as the conditions in footnote e/ have been met, The Netherlands is prepared to give an additional supplementary contribution of SDR 1.0 million.
i/ The supplement will be increased GBP 4.25 million (SDR 5.05 million) once the conditions in footnote e/ have been met.
j/ These participants have agreed to adjust their contributions upward to the minimum contribution level of SDR 4.0 million.
k/ China and India have agreed to contribute more than the minimum contribution level of SDR 4.0 million.
l/ Slovenia did not participate in the replenishment discussions, but did, however, pledge SDR 1.0 million.
m/ Equivalent to SDR 59.50 million (2.97% of the total replenishment).
n/ Confirmation of these pledges is expected shortly.
p/ Participants with average inflation rates exceeding 10% for the three-year period covering 1994 through 1996 will denominate their contributions in SDRs.

24-Mar-98
GLOBAL ENVIRONMENT FACILITY TRUST FUND
SECOND REPLENISHMENT

INSTRUMENT OF COMMITMENT

Reference is made to Resolution No. 98-__ of the Executive Directors of the International Bank for Reconstruction and Development ("the World Bank") entitled "Global Environment Facility Trust Fund: Second Replenishment of Resources," which was adopted on ________, 1998 (the "Resolution").

The Government of __________ hereby notifies the World Bank as Trustee of the Global Environment Facility Trust Fund, pursuant to paragraph 2 of the Resolution, that it will make the contribution authorized for it in Attachment 1 of the Resolution, in accordance with the terms of the Resolution, in the amount of __________.

_________________________  __________________________
(Date)                     (Name and Office)
POLICY RECOMMENDATIONS
FOR THE SECOND GEF REPLENISHMENT PERIOD
The GEF is the leading multilateral funding mechanism dedicated to providing grant and concessional financing for global environmental protection. Its beneficiaries are all people of the globe, since we live in an integral and interdependent world.

Participants in the Second GEF Replenishment negotiations reaffirm the GEF’s overarching objective, as enunciated in the Instrument for the Establishment of the Restructured GEF, of achieving global environmental benefits within a framework of sustainable development. Participants acknowledge the significant progress that has been made by the GEF in the four years since its first replenishment in supporting developing countries and countries with economies in transition in their efforts for global environment improvements and in implementing the Rio conventions. The solid and timely replenishment of $2.75 billion will enable the GEF to continue its efforts to promote global environmental goals and sustainable development and to support the objectives of agreed global environmental conventions and protocols, such as the Convention on Biological Diversity, the UN Framework Convention on Climate Change and the Kyoto Protocol, the Vienna Convention and the Montreal Protocol on Substances that Deplete the Ozone Layer, and the UN Convention to Combat Desertification.

Participants recognize that the GEF should remain a facility at the cutting edge, agile and responsive to its recipient countries, as well as a catalyst for other institutions and efforts. It should apply lessons learned in order to improve further the effectiveness of its performance as it continues to evolve and maintain flexibility in financing incremental costs for addressing priority global environmental concerns arising from international conventions, consistent with the guidance provided by their Conferences of Parties. Recognizing that the GEF Council has primary responsibility for providing guidance and oversight to the GEF Secretariat and the Implementing Agencies, and drawing upon analyses and recommendations from a number of studies, including the independent Study of GEF’s Overall Performance, the Study of GEF Project Lessons, GEF Project Implementation Reviews, and the Price Waterhouse Study on Budgeting. Participants recommend to the GEF Council that urgent action be undertaken in the following six strategic areas. Participants advance these recommendations in order to maximize the efficiency and impacts of the resources of the second replenishment of the GEF Trust Fund.

1. Participants stress that GEF activities should be country-driven and that country ownership is key to the success of GEF projects. To achieve this, GEF activities should be based on national priorities designed to support sustainable development and the global environment. Participants underscore the need for
concerted efforts to advance recipient countries' knowledge of the global environment and of the GEF, to facilitate country access to GEF financing and country ownership of GEF-financed projects, to strengthen national focal points, and to facilitate coordination at the country level. Participants recommend that the Council requests the Secretariat, in consultation with the Implementing Agencies, to review country level relations, including capacity building, training, outreach and information sharing, and prepare for Council approval an action plan to strengthen country-level coordination and to promote genuine country ownership of GEF-financed activities, including active involvement of recipient countries and interested stakeholders. The action plan should also address: (i) the need for the Implementing Agencies to assist countries in identifying and implementing policies in support of the global environment; and (ii) means through which the Secretariat may work with the Implementing and Executing Agencies and other entities to strengthen the financial and institutional sustainability of GEF-funded activities, and to better promote the use of local, national, and regional expertise.

2. Recognizing the catalytic role of the GEF to provide new and additional resources for the agreed incremental costs of achieving global environmental benefits as well as the need for broad-based global environmental actions across a wide-spectrum of national, regional, and international institutions, Participants strongly support the recommendations of the overall performance study concerning the mainstreaming of global environmental objectives into the regular policies and programs of the GEF Implementing Agencies. Participants recognize that as governments represented in the GEF and the Implementing Agencies, each government has a responsibility to ensure consistency in its policies and representation in the GEF, the Implementing Agencies and the Conventions and to promote mainstreaming of GEF objectives in the policies and program activities of the Implementing Agencies. Of particular concern is ensuring that the policies and activities of the Implementing Agencies do not undermine the success or effectiveness of GEF-financed activities. Taking into account paragraph 22 and Annex D, paragraph 7, of the Instrument1, Participants recommend that each Implementing Agency prepare for Council review in 1998 a strategy and timetable showing how the Agency will integrate global environmental activities into its own policies and programs and report regularly thereafter to the Council on its implementation. In addition Participants, through the GEF Council, call upon the Secretariat to further develop the GEF resource allocation strategy to maximize global impacts and effectiveness of operations, and to make the development of broad “performance indicators” a high priority. In particular:

(a) While fully appreciating and commending the accomplishments of the World Bank in cofinancing and leveraging resources for GEF projects, Participants recommend that the World Bank make a concerted effort to incorporate global

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1 See attachment
environment objectives into its regular policies and operations. In particular, the Bank should integrate global environmental concerns in country dialogue, in country assistance strategies (CASs), and in country economic and sector work, building on GEF-financed activities that have enabled countries to develop their own strategies and action plans, particularly in the areas of biodiversity and climate change.

(b) The UNDP five-year country-programming cycle should not have been a constraint to the integration of global environmental objectives into UNDP’s own activities. Participants recommend that UNDP actively seek cofinancing and leverage resources for GEF projects, and incorporate global environmental objectives into its regular policies and operations, including into Country Cooperation Frameworks. In the area of capacity building, UNDP should take a more comprehensive approach to strengthening countries’ capacities for sustainable development and global environment that maximizes the synergy between its own funding, GEF funding, and other sources.

(c) Aware that UNEP’s mandate includes a strong focus on the global environment, Participants recommend that UNEP should better integrate GEF activities and its own operations on the global environment and should ensure synergy between UNEP’s regular activities addressing global environmental issues and its proposals for GEF funding. At the same time, UNEP’s proposals for GEF funding should be consistent with the principle of additionality -- GEF should not fund activities that are part of UNEP’s mandate and regular programs.

3. Participants reiterate the emphasis placed since the beginning of the Pilot Phase on leveraging additional resources for global environment actions, particularly from the private sector. Furthermore, it is recognized that technology, the creation of new opportunities and markets for the transfer of technology, and cooperation with respect to new and more efficient technologies is fundamental to promoting global environmental protection and sustainable development. Since the private sector is instrumental in diffusing technology and knowledge that will have an impact on the global environment, it is vital that the GEF seek new opportunities and modalities for working in partnership with the private sector. The GEF Secretariat, in consultation with the Implementing Agencies and private sector entities, should identify new opportunities for private sector partnerships, and examine the obstacles that might exist to increasing support from the private sector. The Secretariat should propose for Council review and approval means to advance such opportunities and to overcome such obstacles.

4. The Participants recognize that a strong monitoring and evaluation system will help the GEF to become progressively more effective by building upon lessons drawn from both success and failures. A strong monitoring and evaluation function
is necessary not only as a tool to measure progress and results, but also as an instrument for achieving greater project quality and effectiveness. To ensure an effective follow-up to the study of GEF Overall Performance and the other evaluation studies, Participants call for the further strengthening of the Secretariat monitoring and evaluation function by providing additional capacity for independent evaluation and for the urgent development of performance indicators. Such indicators should facilitate collection of better data on, and assessment of, the strategic impact of the GEF activities as well as their operational, financial and institutional performance and cost effectiveness. Provision should also be made for monitoring progress in implementing the study's recommendations, and for further analyses in areas where time constraints did not allow full consideration by the study team.

5. Participants reconfirm the responsibilities of the Implementing Agencies under the Instrument and emphasize the need for increasing responsiveness, efficiency and diversity in projects and approaches. In recognizing the potential benefits of competition, Participants recommend that the Secretariat, in consultation with the Implementing Agencies, review the experience of executing agencies' participation in GEF activities and prepare costed options, for consideration by the Council, on ways to promote greater participation of those entities referred to in paragraph 28 of the Instrument, in particular the Regional Development Banks. The proposal should also address modalities for how these organizations would work, on a fee basis, through the Implementing Agencies or directly with the Secretariat and the Council.

6. Participants, reaffirm the importance of the principle of incremental costs to the GEF while recognizing the difficulties that continue to be encountered in its application. Participants underlined the decision of the Council taken at its November 1997 meeting for the preparation of a paper by the Secretariat, in consultation with the Implementing Agencies and the Secretariats of the Biodiversity and Climate Change Conventions, which would, inter alia, include operational criteria and paradigm cases for different types of GEF activities and projects.

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2 See attachment
Paragraph 22 of the Instrument for the Establishment of the Restructured Global Environment Facility:

The Implementing Agencies of the GEF shall be UNDP, UNEP, and the World Bank. The Implementing Agencies shall be accountable to the Council for their GEF-financed activities, including the preparation and cost-effectiveness of GEF projects, and for the implementation of the operational policies, strategies and decisions of the Council within their respective areas of competence and in accordance with an interagency agreement to be concluded on the basis of the principles of cooperation set forth in Annex D to the present Instrument. The Implementing Agencies shall cooperate with the Participants, the Secretariat, parties receiving assistance under the GEF, and other interested parties, including local communities and non-governmental organizations, to promote the purposes of the Facility.

Paragraph 28 of the Instrument for the Establishment of the Restructured Global Environment Facility:

The Secretariat and the Implementing Agencies under the guidance of the Council shall cooperate with other international organizations to promote achievement of the purposes of the GEF. The Implementing Agencies may make arrangements for GEF project preparation and execution by multilateral development banks, specialized agencies and programs of the United Nations, other international organizations, bilateral development agencies, national institutions, non-governmental organizations, private sector entities and academic institutions, taking into account their comparative advantages in efficient and cost-effective project execution. Such arrangements shall be made in accordance with national priorities. Pursuant to paragraph 20(f), the Council may request the Secretariat to make similar arrangements in accordance with national priorities. In the event of disagreements among the Implementing Agencies or between an Implementing Agency and any entity concerning project preparation or execution, an Implementing Agency or any entity referred to in this paragraph may request the Secretariat to seek to resolve such disagreements.

Annex D, paragraph 7 of the Instrument for the Establishment of the Restructured Global Environment Facility:

7. The Implementing Agencies will assure the cost-effectiveness and sustainability of their activities in addressing the targeted global environmental issues. In this context, one important feature of adhering to these principles is that the least-cost sustainable means of meeting many global environmental objectives lie in a combination of investment, technical assistance, and policy actions at the national and regional level. The experience and mandate of each Implementing Agency will contribute to bringing to light, when assessing specific project interventions, the range of possible policy, technical assistance and investment options. In addition, each Implementing Agency will strive to promote measures to achieve global environmental benefits within the context of its regular work programs.