



**SUMMARY OF THE CO-CHAIRS
MEETING ON THE THIRD REPLENISHMENT OF THE GEF TRUST FUND,
WASHINGTON, D.C., MAY 7, 2001**

Opening of the meeting

1. The meeting was opened by Mr. Motoo Kusakabe, Vice President, Resource Mobilization and Co-Financing of the World Bank, and Mr. Mohamed T. El-Ashry, Chief Executive Officer/Chairman of the Facility. It was noted that the World Bank, as Trustee of the Global Environment Facility Trust Fund, had been requested by the GEF Council to initiate the discussions on the third GEF replenishment in cooperation with the CEO/Chairman of the Facility. The Co-Chairs welcomed the participants to the second meeting for the third replenishment, and recognized that the discussions were taking place at a time when the world community was seeking to reconfirm its commitment to international cooperation for addressing the crucial issue of environment and development.

2. Mr. Mark Malloch Brown, Administrator, UNDP, in addressing the meeting, reconfirmed the extraordinary importance that UNDP attaches to the GEF and its successful replenishment. He noted that the GEF is the global instrument for financing activities to manage the global environment, and that it serves as a model for collaboration and partnership amongst the three Implementing Agencies.

Pledges and Funding Situation of GEF-2

3. Mr. Kusakabe introduced document GEF/R.3/4/Rev.1, *GEF-2 Pledges and Funding Situation*. The paper describes the current and projected financial status of the GEF Trust Fund as well as the Trustee's assumptions for the fourth and final tranche release in Fiscal Year 02 and the projected GEF work program between May 9, 2001 and June 30, 2002 (which is the end of the GEF-2 period). These assumptions provide the basis for the Trustee's current projection of the carryover of GEF-2 funds into the GEF-3 replenishment period.

4. Mr. Kusakabe noted that Pakistan submitted its Instrument of Commitment in December 2000 and has paid 75 percent of its contribution. Canada has recently made an additional payment, therefore clearing recent arrears. Austria, France and Germany have released the second tranche of their GEF-2 contributions, which had previously been deferred, and all donors, except Austria, have agreed to release the third tranche of their contributions.

5. Four donors (Argentina, Brazil, Egypt and the Russian Federation) that pledged to GEF-2 have not yet completed legislative procedures to authorize their contributions. Brazil stated that its contribution to the GEF had been approved by Congress last year, and it is finalizing procedures to commit to and make the payment to the GEF.

6. Nine donor countries are currently in arrears. Some donors in arrears to GEF-2 gave an update on their respective situations:

- (a) Belgium informed the meeting that the Royal Decree for the payment of the third tranche of its contribution had been signed, and that payment would be made shortly.
- (b) France noted that payment of third tranche of its contribution was initiated last week.
- (c) Ireland noted that it had paid 73.2 percent of its contribution and will fully pay its contribution before the end of the year.
- (d) Italy informed the meeting that its Parliament has approved payment of the full amount of its contributions to the GEF-2 and expects to make a third installment before January 31, 2002, bringing their cumulative payments to 50 percent. The remaining contribution will be paid in FY03 through FY05.
- (e) Nigeria has authorized full payment of its GEF-2 contribution and expects to fully pay their contribution before the end of this year.
- (f) The United States informed participants that the Administration has requested US\$107.5 million in its FY02 budgetary request to Congress.

7. Two key issues were considered of utmost importance during the third replenishment. The first is to pursue how to make the GEF operations focused and effective. The second is to address outstanding arrears. Delegations urged that countries with outstanding arrears make every effort to clear outstanding arrears before the end of GEF-2, or at least to commit to a specific arrears clearance plan in the course of the replenishment negotiations. It was recommended that the Trustee and the Secretariat explore effective means to prevent arrears during GEF-3 and inform the participants at their next meeting.

8. The meeting noted that there is a need to give additional consideration to the impact of foreign exchange movements on the commitment authority available and to show how investment income increased commitment authority.

9. The Secretariat and Trustee were requested to take the impact of cancelled projects and revisions to project budgets into account in future projections of available resources.

Programming of Resources for the Third GEF Replenishment

10. Mr. El-Ashry introduced document GEF/R.3/6, *Programming of Resources for the Third GEF Replenishment*, noting that three scenarios had been presented, and the expectation that the meeting would agree on two preferred scenarios that would establish a range of projected resources on the basis of which the Secretariat and Trustee would prepare a more detailed projected programming analysis for consideration at the next meeting.

11. It was stressed that a successful replenishment will require collective political will in the face of declining global environmental trends and in the run-up to the World Summit on Sustainable Development and the second GEF Assembly. The role of the GEF as the principal financial mechanism for the global environment was stressed, and the importance and benefits of a single mechanism addressing the broad range of global environmental issues was underlined. In this regard, it was indicated that it was important to send a strong positive signal about a substantial third replenishment, recognizing the relationship of the GEF to other processes concerning the global environment, including discussions within the framework of the UN Framework Convention on Climate Change and upcoming Council discussions on land degradation. Provision of resources in the proposed programming for GEF-3 for new activities addressing persistent organic pollutants (POPs) and other chemicals, land degradation (desertification and deforestation), and capacity building was welcomed.

12. The meeting emphasized the need for the GEF to continuously seek to be more effective and efficient while ensuring the quality of its work, and in this regard, the meeting noted the importance that it gave to the results of the second Overall Performance Study. It confirmed its expectation that a first draft of the study would be available by September 2001. The meeting also requested that for future replenishments, a comprehensive evaluation be completed before discussions begin on the replenishment. A discussion on institutional arrangements, efficiency and cost effectiveness should also be planned for the next meeting.

13. While participants recognized that it was premature to reach agreement on a funding level for the third replenishment, the Secretariat and Trustee were asked to consider a range between US\$2.5-\$3.5 billion, including carryovers from GEF-2, when preparing a more detailed programming paper for the next meeting, without prejudice to other scenarios.

14. In preparing a more detailed programming paper, the meeting requested the Secretariat and the Trustee to, *inter alia*:

- (a) better address the absorptive capacity of the countries together with the delivery capacity of the Implementing and Executing Agencies;
- (b) look at GEF financing within the context of trends in financing for the global environment, including financing provided by bilaterals and the private sector; and

(c) separate resources required for operations from resources for administrative fees.

15. The meeting expressly welcomed new donors to the replenishment process, and requested the Secretariat and Trustee to invite interested new donors to the next replenishment meeting.

16. The meeting underlined the importance of clearing arrears to the programming of GEF resources and to a successful third replenishment.

GEF Review of Implementation and Results

17. Mr. Jarle Harstad, Senior Monitoring and Evaluation Coordinator, introduced the program studies on the impact of GEF activities that had been prepared as a contribution to the second Study of GEF's Overall Performance together with other monitoring and evaluation reports that will be considered by the GEF Council at its next meeting.

18. The meeting noted the importance of looking at the progress that has been made in responding to the policy recommendations of GEF-2, including the recommendations concerning mainstreaming of global environmental issues into the regular programs of the Implementing Agencies, and country ownership and strengthened outreach.

19. The meeting also expressed interest in considering in a transparent way what might be the appropriate role for the GEF monitoring and evaluation system with regard to agencies benefiting from direct access to GEF resources through the expanded opportunities for executing agencies.

20. The meeting also recognized the challenge of continuing to streamline GEF procedures, including the time lapse between Council's approval of a work program and actual implementation of project activities on the ground.

21. It was recommended that future discussions of the findings of the Overall Performance Study should include consideration of increased allocation of GEF resources to least developed countries.

22. The meeting noted that participants look forward to receiving the results of the second Study of GEF's Overall Performance which will serve to validate and consolidate the conclusions and recommendations of the program studies.

Effective Exchange Rates for Use in the Third GEF Replenishment

23. Mr. Kusakabe introduced document GEF/R.3/5, *Effective Exchange Rates for Use in the Third GEF Replenishment*. The participants agreed on the six-month averaging period for setting reference exchange rates from May 15, 2001 through November 15, 2001, proposed by the Secretariat and the Trustee. Further, the Trustee agreed to report the reference exchange rate of members' national currencies against the US dollar and the Euro.

Burden Sharing for the Third Replenishment

24. Mr. Kusakabe introduced document GEF/R.3/7/Rev.1, *Burden Sharing for the Third Replenishment*. Participants agreed that it was premature to discuss burden-sharing arrangements for GEF-3 at this time.

Summary of the Co-Chairs

25. The meeting reviewed the Summary of the Co-Chairs.