



**SUMMARY OF THE CO-CHAIRS
MEETING ON THE THIRD REPLENISHMENT OF THE GEF TRUST FUND
WASHINGTON D.C., MAY 13-14, 2002**

Agenda Item 1. 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.

Agenda Item 2 GEF-2 Current And Projected Funding Status

2. Document GEF/R.3/30, *Current and Projected Funding Status and Estimated Carryover and Projected Investment Income for the GEF-3 Replenishment Period*, was introduced by the Trustee. The paper addresses the current funding status of GEF-2. An updated status of payments to GEF-1 and GEF-2 is presented in an annex to the document, as are the current and projected net funding situation, details of the estimated carryover, and the range of projected investment income over the proposed GEF-3 commitment period. The document also includes information on the estimated tranche payments to be paid and released by June 30, 2002.

Agenda Item 3. GEF-3 Replenishment Amount

3. Donors did not reach final agreement on the level of replenishment. Many donors felt that further efforts are needed to promote a substantial replenishment that would support the current level of financing for the existing focal areas while providing additional support for the new demands that have been placed on the GEF, particularly with regard to persistent organic pollutants (POPs) and land degradation.

Agenda Item 4. Arrears

4. The Trustee and the Secretariat reported to the meeting on the consultations held with interested donors on the issue of arrears and distributed to all Participants the discussion paper that had been circulated to such donors outlining options. Participants discussed those options, which are:

- (a) restrictions upon procurement of consultancy services;

- (b) application of guidelines/criteria requiring procurement preferences for consultancy services;
 - (c) limitation of voting rights;
 - (d) explanation in writing to the Council; and
 - (e) continuation of the current pro rata provision.
5. The meeting suggested that the GEF-3 Resolution might usefully provide for:
- (a) continuation of the current pro rata provision;
 - (b) a requirement that a country in arrears provide a written explanation to the Council of the reasons for the arrears; and
 - (c) confirmation of the provision in the Instrument that voting rights accrue only for the actual contribution paid to the GEF.
6. Japan expressed reservations and confirmed that its contribution is based on satisfactory resolution of the arrears prevention issue.

Agenda Item 5. Replenishment document in the form of a World Bank Resolution

7. In introducing the draft Trust Fund Replenishment document (GEF/R.3/31), the Trustee advised Participants that a few additional changes had been suggested by donors immediately prior to the meeting and a revised draft Replenishment Resolution, marked, “*DRAFT 5.13.2002 Reflecting Additional Changes Suggested by Donors*” was distributed with an explanatory summary attached. These changes were intended to provide greater clarity, and the Trustee advised that they did not effect any substantive changes in donors’ obligations.

8. In particular, the Trustee clarified that Paragraph 3(c)(iii) authorizing the Trustee to agree with a Contributing Participant to encash notes or similar obligations on a basis other than a pro rata basis as long as the schedule of encashment agreed is “no less favorable to the GEF Trust Fund” than the schedule that would apply according to the pro rata basis, does not give the Trustee any authority to increase the net present value of a donor’s contribution, or to assess interest. Further, it was clarified that the Trustee would not agree to allow a donor to delay encashment of its final encashment.

9. Participants requested that an indicative encashment schedule be re-inserted into the draft Resolution and asked for additional information on the manner in which the agreement of a Contributing Participant to an accelerated encashment schedule would affect such Contributing Participant’s basic share and voting power. The meeting agreed that additional questions on the draft Resolution should be submitted in writing to the Trustee and copied to other Participants.

Agenda Item 6. Policy Recommendations

10. In introducing document GEF/R3/32, *Policy Recommendations to be Agreed as Part of the Replenishment Process*, the Secretariat noted that the document had been revised, in consultation with the Implementing Agencies and on the basis of comments made during the previous replenishment meeting, circulated to the Participants for further comment, and revised a second time on the basis of the comments received.

11. The CEO reminded the meeting that the policy recommendations are directed towards the Council of the GEF, which will be invited to approve them and to use the recommendations, together with the Second Overall Performance Study of the GEF and other reports emanating from the GEF monitoring and evaluation program during the Second Replenishment period and the views of the GEF Participants, as a framework for considering and approving a plan of action and timetable for improving the effectiveness, impacts and results to be achieved by the GEF during the GEF-3 period. It was also noted that the policy recommendations will contribute to the statement to be agreed by all GEF Participants at the second Assembly in October 2002.

12. Participants commented on the policy recommendations and agreed on a revised text of the recommendations.

13. The understanding reached by the GEF Council at its meeting in December 2001 that activities under the new funds to be managed by the GEF pursuant to the decisions of the seventh session of the Conference of the Parties to the UN Framework Convention on Climate Change will remain separate from the activities of the GEF Trust Fund was reiterated.

Summary of the Co-Chairs

14. It was agreed that the Joint Summary of the Co-Chairs would be circulated later in the week.