



GEF

Global Environment Facility

October 17, 2001

SUMMARY OF THE CO-CHAIRS MEETING ON THE THIRD REPLENISHMENT OF THE GEF TRUST FUND, EDINBURGH, SCOTLAND, OCTOBER 11 - 12, 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. The co-chairs welcomed the participants to the third meeting for the third replenishment. On behalf of all participants, the co-chairs conveyed their sympathies to the United States for the tragic events of September 11. They expressed hope that the renewed focus on the importance of multilateral cooperation to address global problems that has been prompted by those events would translate into a renewed commitment to multilateral cooperation in addressing all issues of global concern, including the environment.

GEF-2 Funding Situation and Commitment Authority

2. Mr. Amedee Prouvost, Manager, Finance, Resource Mobilization Department of the World Bank, introduced document GEF/R.3/12 *GEF-2 Commitment Authority and Current Funding Status* and revised Annexes A, C and D, based on September 30, 2001 exchange rates, were circulated. Participants noted that \$374.4 million in resources is expected to be carried over from GEF-2 to GEF-3, assuming GEF-2 work program projections through June 30, 2002 of \$630.0 million. Note was also taken of the results of the Trustee's implementation of a new investment strategy for the GEF, and participants asked the Trustee to include investment income projections in its assessment of the resources that will be available to fund GEF-3.

3. In reviewing the funding situation, participants raised the issue of arrears. A number of participants urged those participants who have not yet fulfilled their commitments to the GEF to do so in a timely manner. Some participants provided the meeting with additional information on their national efforts to address arrears.

4. Mr. Prouvost gave an overview of an informal note, *Arrears and The GEF*, which was prepared by the Trustee at the request of the participants in the second meeting for the third replenishment. The note was subsequently distributed to participants. In a preliminary discussion of potential mechanisms to prevent arrears to GEF-3, a participant urged consideration of the use of procurement restrictions on the hiring of consultants as an inducement towards timely contributions, and some others asked about the feasibility of assessing interest on late

payments. Other participants cautioned against the introduction of arrears prevention schemes which might prove costly and difficult to implement and, ultimately, ineffective and/or counter-productive in achieving the goal of encouraging prompt payment. It was agreed that there would be further discussion of this issue at the December meeting.

Second Overall Performance Study-Interim Report

5. Mr. Jarle Harstad, Senior Monitoring and Evaluation Coordinator, explained to the meeting the process that was being followed in preparing the Second Overall Performance Study of the GEF.

6. Mr. Leif Christoffersen, OPS2 Team Leader, outlined the *Interim Report of the Second Overall Performance Study* (OPS2), Document GEF.R.3/14/Rev.1, and responded to questions from the participants.

7. In commenting on the interim report, many participants expressed their appreciation for the hard work of the team in preparing the report and supported the general conclusion of the report that "the GEF has been able to produce very significant project results aimed at improving global environmental problems," and that "the GEF is moving in the right direction and therefore deserves continuing support for its operational programs and activities." The participants concluded that, in general, the interim report provides a good basis for replenishing the GEF Trust Fund.

8. Participants welcomed the attention given in the report to action and coordination at the country level, the link between global environmental benefits and sustainable development, strengthening of operational focal points, the benefits of partnerships, replication of results and lessons learned, leveraging co-financing, greater involvement of the private sector, social and economic aspects of GEF activities, stakeholder participation, relations with Conventions and outreach.

9. The participants underlined the conclusion of the report that there is a need for more work on the development of quantifiable program indicators to measure the impact of GEF activities on the global environment.

10. Participants also noted a number of issues that they hoped would be further elaborated upon in the final report. These include:

- (a) More justification and substantiation for the findings and conclusions;
- (b) Review of progress made in responding to the recommendations of OPS1;
- (c) More information on lessons learned from projects that have not been successful;
- (d) More review of the monitoring and evaluation function of the GEF and proposals as to how it should be strengthened;
- (e) Discussion of how GEF activities aimed at better management of the global environment have contributed to poverty reduction;
- (f) Slowness of GEF project cycle and disbursement of funds;

- (g) More reflection on how GEF policies and structures affect its work and the achievement of impacts and how the enabling environment at the country level affects GEF project outcomes;
- (h) Role of STAP;
- (i) Role of research and involvement of national scientific community;
- (j) Importance of the institutional and management issues to be developed in chapter 7; and
- (k) Assessment of Implementing Agency performance.

11. The team was requested to include in the final report an executive summary, an overview of its conclusions and a specific chapter on recommendations.

12. Participants stressed that in the future, they would expect that an overall performance report would be completed before any replenishment discussions were initiated. The team was requested to provide its views and thoughts concerning the process of preparing the performance report with a view to assisting the preparation of such reports in the future.

13. The participants agreed on the following schedule for preparation of the final report:

	Deadline
Communication about the revised schedule and set up of web-page for entering comments, to which access is restricted by password	October 15
Comments to the Interim Report	October 26
Revised chapter. 7 sent to GEF entities	November 1
Full Draft Report sent to GEF Replenishment / Council Meetings	November 9
Discussion at GEF Replenishment / Council Meetings, comments	December 3-7
Final comments to the report	December 13
Completion of Final Report	January 25, 2002

Programming of Resources for the Third GEF Replenishment

14. Mr. Kenneth King, Assistant CEO, introduced document GEF/R.3/15, *Programming of Resources for the Third GEF Replenishment*, and introduced the three funding scenarios for GEF3.

15. The meeting recognized the growing demands being placed on the GEF, particularly in light of the conclusion of the Stockholm Convention on Persistent Organic Pollutants and deliberations concerning the designation of land degradation as a GEF focal area, and the need to provide credible additional financing for activities in those areas. The meeting further noted that in determining the size of the replenishment these needs as well as the needs of existing focal areas would have to be balanced against the realistic ability of donors to contribute.

16. Participants had a candid and constructive dialogue on the proposed scenarios. A number of diverse views were expressed. Some participants supported the highest scenario of financing, while some others, for reasons of national economic circumstances, supported other scenarios. Others indicated that they were still undecided in their position, and would need additional time to reflect, particularly in light of the still-pending final results of OPS2. The meeting concluded that it was not possible at this meeting to narrow the range of projected resources. Participants welcomed the opportunity to carry out further consultations within and between governments.

17. The Secretariat explained that the next steps in programming would be the presentation to the December 2001 Council meeting of a strategic outline of the business plan for FY03-05 which would take into account the discussions on the OPS2 Interim report and Council policies. This outline would not include any allocation of resources, since this would be dependent upon agreement on the GEF3 replenishment, but it will include consideration of impacts and outcomes of alternative replenishment scenarios. A final business plan, with resource allocations, will be presented to the Council for its review and approval at its meeting in May 2002.

18. The meeting noted that it would discuss burden sharing at its next meeting.

19. The Chairs welcomed the strong commitment expressed by participants to the GEF, the global environment, the conventions and the international community and encouraged participants to build upon that good will and commitment when determining their contribution to GEF3 through both basic burden shares and additional voluntary contributions, where feasible.

Potential Reference Currencies for Use in the Third GEF Replenishment

20. Mr. Prouvost introduced GEF/R.3/13, *Potential Reference Currencies For Use In the Third Replenishment* and revised annexes, reflecting September 30, 2001 exchange rates, were distributed. Participants agreed that the SDR should be used as the reference currency for the purposes of burden sharing under GEF-3 and for the GEF-3 funding scenarios. Secretariat and Trustee will distribute revised tables showing various scenarios for the replenishment as soon as possible showing both nominal and real increases in donor contributions. It was agreed that the practice of having donor countries with high annual inflation rates denominate their GEF

contributions in the reference currency, would be continued in GEF-3. The Trustee agreed to provide projected inflation rates in addition to the historical averages over the 1998-2000 period presented in Annex F to inform the decision of the donors concerning the list of GEF-3 donors that will be subject to this requirement. The Trustee agreed to provide participants with a note on possible encashment schedules that may be agreed between the Trustee and individual contributing donors to GEF-3.

Initial Discussions of Structure, Processes and Procedures of the GEF

21. The CEO presented his *Initial Note on Structures, Processes and Procedures of the GEF*, document GEF/R.3/16, in which he outlined some ideas for the further evolution of the GEF, taking into account efforts to seek continuous improvements in efficiency, responsiveness, and cost effectiveness. In presenting the note, the CEO informed the meeting that he was looking forward to hearing the preliminary views of the participants, that such views would be taken into account, together with the final draft of OPS2, in preparing a more detailed note with options and analysis, and that the Secretariat would prepare such a detailed note in consultation with the Implementing Agencies and the Trustee for consideration at the Council meeting in December.

22. Ms. Kristalina Georgieva, the representative of the World Bank, presented a joint statement from the Heads of the Implementing Agencies to the meeting concerning the initial note and underlined the commitment of the Implementing Agencies to work with the Secretariat in preparing a more detailed options note to improve the efficiency and effectiveness of the GEF for the December Council meeting.

23. The meeting held a constructive dialogue on the objectives of the note and the ideas presented therein. The meeting recognized that discussions on the structures, processes and procedures of the GEF should aim at improving its performance. In presenting options for further consideration there should be an analysis of the positive and negative implications of any proposed reforms.

Other Business

24. The Trustee agreed to complement the informal arrears note by preparing supplemental factual information in advance of the December meeting which would provide, if needed, the basis for an exploration of the feasibility, cost and effectiveness of consultant procurement restrictions and the assessment of interest on late payments. The information may also include comments provided by donors wishing to clarify their situation.

25. The co-chairs promised to provide the paper on historical procurement data under the GEF that was intended for this meeting to the next replenishment meeting in December.

26. The GEF Secretariat and Trustee were requested to undertake efforts to encourage the participation of GEF donors absent from this meeting in future replenishment meetings and to continue their efforts to seek new donors to the GEF Trust Fund.

Closure of the Meeting

27. The meeting was closed at 6.30pm on October 12, 2001, by the co-chairs who thanked the government of the United Kingdom and the City of Edinburgh, Scotland, for their gracious and warm hospitality for hosting the meeting.