

**HIGHLIGHTS OF THE COUNCIL'S DISCUSSIONS
GEF COUNCIL MEETING
JUNE 28-JULY 1, 2010**

1. The following is a record prepared by the GEF Secretariat of comments, understandings and clarifications of certain points made by Council Members during discussions of the agenda items and related decisions. It also notes points made by the GEF CEO, the GEF Secretariat, the GEF Agencies, and other participants. The joint summary of the Council meeting records the decisions agreed by the Council. These points are supplemental to the joint summary.

Agenda Item 5 Relations with the Conventions

2. Some Council Members stressed the importance that the GEF include in its reports to the Conventions thorough explanations of the replenishment policy reforms and decisions, particularly how national communications and reports are to be funded in accordance with COP guidance. The CEO clarified that all these recommendations will be followed, and she confirmed that the report to the UNFCCC will be submitted over the summer, with circulation to Council expected in July. She also noted that the GEF had submitted its report to the UNFCCC COP on time over the past two years.

3. A number of Members noted ongoing efforts to review and rationalize the guidance from the various conventions, noting that CBD has found 65 pages of guidance documents for the financial mechanism. A Council Member commended the recent decision conveyed by the Stockholm Convention Secretariat to review and consolidate the guidance to the financial mechanism in collaboration with the GEF Secretariat, and strongly encouraged such collaboration.

4. GEF Secretariat staff clarified that it will start consultations with convention secretariats on a review of existing guidance to the financial mechanism from COPs.

5. A Council Member expressed concern that some countries still had not submitted their initial National Implementation Plan (NIP) to the Stockholm Convention. The GEF Secretariat explained that the rate of submission of NIPs seemed to have increased recently and that the matter was being reviewed by the POPs Task Force. The Secretariat confirmed that a paper would be submitted to Council at its November 2010 meeting reviewing experience to date with the NIP program, and proposing a path forward to offer support to eligible countries to update their NIPs, as appropriate.

6. Responding to a question from a Council Member, the CEO explained that, while the GEF could not be expected to support the whole range of chemicals and waste-related issues in developing countries, from its onset, the GEF strategy had been to take an open approach to the implementation of the Stockholm Convention. This approach for recognizes that in advancing

the Stockholm Convention, countries can take advantage of GEF funding to advance other chemicals-related global conventions and agreements. Regarding mercury, the CEO noted that while the international community was still at an early stage in developing a mercury treaty, financing through the GEF could offer significant opportunities for synergies with other GEF programs, including for example with the international waters and biodiversity focal areas.

7. In response to a question on the Joint Action Plan of the UNCCD and GEF Secretariats, the GEF Secretariat explained that the Secretariats will link the GEF-5 land degradation strategy and the UNCCD 10-year strategy to help countries effectively program STAR allocations, as well as use of the COP-approved indicators and GEF-5 indicators for reporting by countries. In addition, the Secretariats will facilitate improved reporting by affected countries based on an efficient use of the PRAIS portal. The Joint Action Plan anticipates that the Secretariats will take into account GEF-5 reforms on enabling activities for the UNCCD to ensure appropriate guidance to affected countries on the use of convention reporting funds. A joint retreat of the two Secretariats is planned in early September to elaborate the actions and assess progress during the intercessional.

8. Responding to a follow-up question, a representative from UNCCD Secretariat confirmed that the deadline for reporting by countries is no longer September 2010 because CRIC9 has been moved to February 2011.

9. One country noted that the document should not state that the Satoyama initiative has linkages to the GEF strategies, as the concept has not been adopted or endorsed by the CBD COP. The CEO agreed to revise the document accordingly.

Agenda Item 6 Report by the Chair of the Scientific and Technical Advisory Panel

10. Council Members thanked the STAP Chair for his report and presentation, with several Members noting the importance of ensuring that GEF projects have a strong scientific and socioeconomic rationale and incorporate the latest scientific and technical advice. Several Members asked what more STAP and other GEF entities can do to improve the GEF's performance in this regard, including capacity building at the country level through the CSP.

11. Several Council Members emphasized that STAP has an important role in the GEF project cycle in providing advice on projects, including with regard to improving projects.

12. Some Members supported the STAP's plans to provide advice on GEF project methodologies related to Reducing Emissions from Deforestation and Degradation of Forests (REDD+) and emissions from Land-use, Land-use Change, and Forestry (LULUCF) while also emphasizing the need not to preempt the UNFCCC's work in this area. Others noted that STAP should continue its work with regard to integrating climate change adaptation into GEF projects.

Agenda Item 7 Four-year Work Program and Budget of the GEF Evaluation Office

13. Some Council Members asked for a balance between the four streams of evaluation that the Evaluation Office proposes to undertake during GEF-5. One Council Member asked whether requests of Council for new evaluations could be accommodated within the proposed program for GEF-5 or whether additional funding would be needed. The Director responded that a proper balance between the four streams would be proposed to Council and that a reasonable number of new requests could be incorporated into this program of work, without leading to new budget requests.

14. One Council Member asked for more attention to the follow-up of evaluations. The Director informed the Council that he agreed and that this was the reason why the Office was in the process of hiring a full-time Knowledge Management Officer.

Agenda Item 8 Annual Country Portfolio Evaluation Report – 2010

15. Council Members expressed their continued interest in country level evaluations. One Council Member asked for concrete information on the issue of underfunding of the land degradation focal area, since all focal areas of the GEF have higher levels of demand than can be met with current funding levels. The Director of the Evaluation Office informed the Council that Moldova and Turkey had prepared project proposals for land degradation support but had received zero funding for these. This contrasted with other focal areas where a reasonable level of funding was realized. The Director also noted that under the STAR, countries will receive an allocation for land degradation, so in the future countries will at least receive some support.

16. Some Council Members asked whether the issue of the GEF Agencies' not incorporating environmental support into their own programming was a new one, or whether the Evaluation Office had noticed this issue before. The Director confirmed that this was a more general issue which evaluations of the GEF Agencies themselves had tackled and that these should be discussed in the governing bodies of these Agencies.

Agenda Item 9 Annual Performance Report 2009

17. Several Council Members expressed the need for further analysis on the ways fees are used by the GEF Agencies, and some Council Members expressed concern over the extent to which the higher costs of MSPs might affect projects for SIDS. The CEO informed the Council that the Secretariat will present a paper on fees and management costs to the Council in its November 2010 meeting for its consideration. Several Council Members welcomed this intention.

18. Several Council Members expressed their appreciation for the information provided on co-financing and requested that the Evaluation Office continue to track and provide analysis on this topic. One Council Member requested that the Agencies develop mechanisms that encourage a larger pool of evaluators for conducting terminal evaluations.

19. One Council Member expressed concern that there might be "rule breaking" with regards to 12 month deadline for submission to the GEF of terminal evaluations. The Director informed the Council that the current information in the PMIS does not allow for such a conclusion, which is why the proposed Council decision focuses on improving the PMIS.

20. One Council Member expressed appreciation for the information provided by the APR on the Implementing Agencies and requested that the APR also provide information on the performance of the Executing Agencies.

Agenda Item 10 Annual Monitoring Report

21. Several Council Members expressed their appreciation for the comprehensiveness of this year's report and the valuable data presented. One Council Member requested that in the future a geographic breakdown by region be presented in addition to the current focal area breakdowns. The Secretariat agreed this would be included in future reports.

22. Some Members were concerned at the low rates of compliance on reporting by the Agencies for both the tracking tool and the project implementation report (PIR) submissions. This was the first year Agency compliance was reported. The Secretariat will continue to track and report on compliance rates.

23. A few Members agreed that there was a need to strengthen the Secretariat's role in portfolio monitoring and requested clarification concerning which elements would be addressed through the revision of the Monitoring and Evaluation Policy that will be presented at the November 2010 Council. Specific elements that should be addressed in the revised policy are:

- (a) *Learning*: The Secretariat should reflect risks taken when analyzing learning from projects. There should also be further analysis on learning, building on work carried out by bilateral and other multilateral agencies
- (b) *Expenditure Break-down*: The Secretariat should request a break-down by project of disbursements by output and outcome, in order to ascertain the overall percentage of funds that are delivered directly toward project goals and focal area targets
- (c) *Improved Measures of Performance*: The Secretariat should move towards collecting and presenting data to better inform policy choices. For example, it would be useful in GEF-5 to track the percentage of funding utilized for the focal area outcome indicators agreed to in the GEF-5 Programming Document (GEF/R.5/31/CRP.1)
- (d) *Sustainability of Projects*: The Secretariat should determine if there is a feasible way to report back on a yearly basis the likelihood of project sustainability.

Agenda Item 11 Streamlining the Project Cycle and Refining the Programmatic Approach

24. All Council Members strongly supported the need to streamline the project cycle and further refine the programmatic approach as key GEF-5 reforms. Many also emphasized the need to balance the push for enhanced efficiency against the goals of maintaining transparency, country ownership, and effectiveness in terms of generating global environmental benefits. One Member requested that the project cycle document clearly state the requirement that all projects proposals must include the country focal point endorsement when the proposal comes to the GEF for CEO endorsement.

25. The Council broadly supported the proposals to streamline procedures for the processing of GEF projects, including increased delegation of authority, while also emphasizing the need to preserve the Council's authority to review, comment on, and approve GEF work programs. Several Council Members wondered whether the reforms will go far enough in terms of enhancing efficiency and called for further analysis of inefficiencies in the project cycle and development of further proposals.

26. A few Council Members did not agree with the proposal to raise the limit on MSPs to \$2 million, which therefore was not approved.

27. All Council Members supported programmatic approaches as a means through which the GEF could have a more transformative impact on the ground. Several asked for clarification as to which Agencies would qualify under the criteria in Annex 1 for a delegation of project approval authority under the new type of programmatic approaches described in paragraphs 49 to 60 of the document. The CEO clarified that the entities that met the criteria were the ADB, the AfDB, the EBRD, the IADB, IFAD, and the World Bank.

28. Others questioned whether sufficient resources would be provided to Agencies to prepare and implement projects.
29. Council Members requested clarification regarding the different fee levels described in the document. Council Members also requested that a review be taken of Agency fees and project management costs.
30. The NGO representative requested that participation of civil society organizations in all stages of the project cycle be codified by referring to the GEF Public Involvement Policy.

Agenda Item 12: Policies and Procedures for the Execution of Selected GEF Activities with Direct Access

31. Council Members expressed strong and unanimous support for this proposal to implement direct access for the two sets of covered activities – National Portfolio Formulation Exercises (NPFES) and Convention reports and communications – a key GEF-5 reform that will move the GEF in the direction of greater direct access in the future.
32. Some Council Members supported the measured and pragmatic approach taken, while others emphasized the need to go farther in the future. A few Council Members noted concerns at needing to follow World Bank procurement rules, and the Secretariat clarified that simplified World Bank rules for small grants would be applied.
33. Several Council Members asked about the cost implications of moving to direct access and called for the Secretariat to focus on cost effective implementation. Two Council Members asked that the FY11-FY14 GEF Business Plan, to be presented to Council in November 2011, offer a detailed description of the cost implication of these and other reforms and further detail on implementation. The CEO agreed and explained that whereas the \$1.34 million cost estimate was a worst-case cost estimate, the Secretariat has asked for substantially less in the contingent budget for FY11.
34. The World Bank's legal advisor clarified several questions relating to legal liability and explained that the delegation of signature authority from the Bank's President to the GEF CEO, regarding listed direct access activities, is premised on the GEF Council's understanding that, if the Bank, represented by the GEF CEO, has entered into a grant agreement with a recipient and is then found liable towards the recipient or third parties, the Bank would be indemnified out of GEF trust funds. The legal advisor reminded Council Members that these provisions are a precautionary measure that have not been inserted out of any expectation that direct access will inevitably entail liability to third parties.
35. The Secretariat clarified that the GEF would only be able to provide grants of up to \$500,000 for national communications and reports under direct access, but that this was not a funding cap and that countries could access further funding for national reports under their national communications. The Secretariat agreed to revise the document to reflect this fact.
36. The Secretariat agreed to revise the document to clarify language regarding eligible and ineligible expenses and that final disbursement for convention reports will be based on the submission of the final output of the project.
37. Several agencies, including UNEP, UNDP, and the World Bank, spoke in support of the GEF's move to direct access. UNEP stated that it would like to present a proposal in November

on how it could streamline their services to Countries for national reports and was supported by UNDP.

Agenda Item 13 Country Support Program

38. Many Members, welcoming and supporting the document, highlighted the expected benefits of enhancing the availability of information to all Focal Points and building capacity to empower countries to work more effectively with the GEF.

39. In response to questions, the Secretariat explained that Extended Constituency Meetings will be a combination of Sub-regional workshops and Constituency Meetings. The primary rationale being to integrate other relevant stakeholders into the efforts to enhance knowledge about working with GEF in the most pragmatic way, which is at the constituency level (instead of at the regional / sub-regional level). Scheduling of constituency meetings will be done based on the request of Council Members, in line with current practice. A constituency wishing to have two meetings annually to agree on a common position for forthcoming Council meetings would be able to do so.

40. Some Members asked about the involvement of GEF Agencies in the new Country Support Program, including the possible payments to Agencies to provide services in the field. The Secretariat explained that Agencies could provide support services in the field when requested by the GEF Secretariat and accepted by the Country Office. The cost would be agreed thereafter. In addition, participation of the Agencies at the meetings is anticipated, as all relevant Agencies will be invited.

41. More than one Member and the NGO representative stressed the importance of guaranteeing the broad representation of different groups (i.e. indigenous people, CSOs, gender balance, etc.). The Secretariat responded that the GEF NGO network will help identify representatives of CSOs to invite to the expanded constituency meetings, which may include indigenous people representatives and other groups.

42. Many Members inquired about the actual cost of changing from UNDP execution and oversight of the CSP to GEF Secretariat execution and oversight. The CEO noted that cost savings are anticipated, as described in paragraphs 44 – 46 and explained that the cost for the GEF Secretariat personnel to undertake the new tasks will be offset by the elimination of the Agency fee. She also underscored the value of engaging the most appropriate institution in presenting GEF policies and procedures to GEF stakeholders. She indicated that a description of costs would be presented in November 2010 GEF Business Plan, showing how all activities will be addressed.

43. Concern was raised that there be no requirement regarding the composition of the National Steering Committees. The Secretariat pointed out that the document provides flexibility to adapt to national circumstances.

44. One Member questioned whether the limit on GEF support for NPFE development of \$30,000 was adequate given that this could be a complex activity. The Secretariat explained that the \$30,000 amount was derived from the costs of National Dialogue Initiatives, the average of which falls between \$25,000 and \$28,000 dollars.

45. One Member requested that the document be revised to reflect clearly that countries may develop their NPFE with assistance from any GEF Agency. The Secretariat clarified that NPFEs

are country executed and country driven, and as such, only countries, not Agencies, will be able to request grants from GEFSEC for these exercises.

Agenda Item 14: Broadening the Partnership by Operationalizing Paragraph 28 of the GEF Instrument

46. Almost all Council Members supported expansion of the partnership, which would enhance country ownership, give recipient countries greater choice in terms of Agencies, and move the GEF further in the direction of direct access.

47. Several Council Members praised the quality of the paper, but many believed that further Council deliberations and refinement of the options were needed for the Council to reach agreement. All Members agreed that this is a priority reform on which the Council should focus over the next year.

48. Many Members supported accreditation of national entities and several commented on the benefits of accrediting more regional entities. The Council had a lively debate on the two options for enhanced engagement by bilateral agencies, including whether bilateral agencies should access GEF funds directly.

49. Some Members strongly supported either or both of the two options, emphasizing the added-value of including bilateral agencies in the GEF partnership, which could contribute both their experience in project implementation and significant amounts of co-financing. Direct implementation by bilateral agencies could contribute to enhancing coordination at recipient country level and to reducing transaction costs. These Members believed bilateral agencies could be incorporated into the partnership in keeping with the principle of country-ownership and in full alignment with GEF strategies and Council approval of GEF projects. It was suggested to take into account further recipient country views on this and analyse the experience of the Multilateral Fund of the Montreal Protocol.

50. Other Members said they could not support such a level of engagement of bilateral agencies in the partnership, raising concerns about preserving the multilateral focus of the GEF, incentives for bilateral support, and developing local capacity.

51. Many Members preferred that the four UN entities that had applied for GEF executing agency status be required to go through the accreditation process proposed for the other executing entities. Other Members felt the GEF could accredit them immediately.

52. Several Council Members emphasized the need for any new executing entities to demonstrate that they fully comply with GEF fiduciary standards to be accredited, but noted that the assessment of fiduciary standards should not be too narrowly focused on accounting-type issues. Other issues include the capacity of entities to implement/execute projects and their environmental and social safeguard procedures.

53. Several Council Members also recommended that additional options be explored for how the GEF would assess whether an entity has a good strategic fit with and adds value to the GEF.

54. A few Council Members recommended that the GEF not introduce a third classification of agency/entity as proposed and that the GEF move back to a distinction whereby the three Implementing Agencies engage in corporate and project activities whereas Executing Agencies engage only in project activities.

55. One Council Member suggested that the Secretariat write to recipient countries to poll them on their interest in nominating national executing agencies for accreditation to get a sense of potential demand for accreditation.

56. In response to a request, the CEO agreed to address the issue of a potentially broader GEF partnership in the Secretariat's November paper on fees and management costs.

Agenda Item 15

Operational Procedures for the STAR

57. Interventions from Council Members emphasized: the flexibility offered by the STAR to Small Island Developing States; the importance of an independent mid-term review as outlined in the paper before any further decision can be taken with regards to allocation of resources for GEF-6; and the importance of adhering to the timeline described in the paper.

58. The representative from the CSOs noted that the papers in and of themselves did not safeguard the participation of CSOs in GEF projects, and expressed the desire that CSO participation increase relative to that under the GEF-4 Resource Allocation Framework (RAF).

59. In response to questions, the CEO clarified that criteria and priorities for funding under the Global and Regional set-asides would be elaborated in the revised GEF-5 focal area strategies.

60. A number of Council Members noted that the methodology for applying the cap had not been explicitly covered by the November 2009 Council decision – that is whether to derive the maximum allocation a country could obtain under the STAR by applying the percentage cap to the total focal area envelope, including the focal area set asides, or by applying the percentage cap to the total amount of individual allocation allocations, excluding the focal area set aside. These Members noted that the methodology applied by the GEF Secretariat seemed to have changed between the November 2009 to the June 2010 Council papers. The CEO clarified that indeed an error had been made in the November 2009 paper where the methodology to apply the cap had been changed from the GEF-4 RAF practice without a Council decision to that effect, and that therefore she had had no choice but to revert to the default GEF-4 procedure. Furthermore, in response to a Council Member, the GEF Secretariat reviewed the whole of the STAR model and issued a revised document showing initial individual indicative allocations - GEF/C.38./Inf.8/Rev.1, GEF-5 Initial STAR Allocations.

Agenda Item 16

Agency Progress on Meeting Minimum Fiduciary Standards

61. Agencies were given the opportunity to present updates on their timeframes for meeting the GEF minimum fiduciary standards. Five Agencies – ADB, FAO, IFAD, UNEP, and UNIDO – clarified actions they have taken to meet the standards and committed to take the necessary steps to come into compliance. The statements given were provided as CRPs to the Council.

62. The GEF CEO made a statement on the Secretariat's stance with regards to UNEP's short-fall in meeting the standards on External Audit Function and Financial Management and Control Frameworks. The CEO clarified it is important for UNEP to rectify its shortfall under the two standards because they:

- i. strengthen the accountability of GEF Agencies
- ii. conform with internationally recognized professional standards
- iii. allow for appropriately independent and objective execution of responsibilities

- iv. ensure transparency so that both accountability and remedial actions are disclosed to the fullest extent possible
- v. provide for annual monitoring and ensuring issues raised in reviews are dealt with effectively

63. UNEP confirmed that it would work to meet the standards required by the GEF Council on external audit and the intent of the IPSAS accounting standards by 2012 for all divisions within UNEP that receive GEF funding. UNEP agreed to provide additional documentation on the outstanding standards as requested by the Council.

64. In addition to UNEP's statement, FAO, ADB, IFAD, and UNIDO also gave statements updating their status in regards to meeting the fiduciary standards. These statements were circulated as conference room papers and will be posted in an information document for the Council Meeting on the GEF's website.

65. Some Council Members asked whether the Council had agreed to any penalties for non-compliance in instances where Agencies had not implemented their action plans for meeting the minimum fiduciary standards. The CEO indicated that the Secretariat could present options on such measures if requested to do so.

Agenda Item 17 Investment Guidelines for GEF's Sustainable Forest Management and REDD-plus Program

66. The Council expressed universal support for the SFM/REDD+ investment strategy presented by the GEF Secretariat and praised the quality of the document. Council further requested some minor adjustments in the language of the information document to better reflect the terminology of the Conventions.

Agenda Item 18 Other Business

67. The Council decided that the Council Members from Brazil, South Africa, Papua New Guinea, Germany, the United States and Norway would serve on the sub-committee created by the decision on Agenda Item 14.

68. The CEO agreed to the request of one Member to provide updated information at the next Council meeting on the intentions of the 10 countries being upgraded in the SGP to use a portion of their STAR allocations for their SGP FSPS. The representative from UNDP noted, however, that all 10 countries had at least informally signaled their intention to do so.