



June 1, 2011

**HIGHLIGHTS OF THE COUNCIL'S DISCUSSIONS
40TH GEF COUNCIL MEETING
MAY 24-26, 2011**

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. 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. One Council Member requested that the GEF Secretariat seek to foster more synergies between the conventions and to report on synergies in this document in the future. Other Members agreed with importance of synergies, noting in particular the potential of the Montreal Protocol and the UN Framework Convention on Climate Change.

3. On the section dedicated to the Stockholm Convention on Persistent Organic Pollutants, one Council Member requested that the next report include details on the mercury negotiations at the upcoming Cartagena meeting in October 2011.

4. Other Council Members highlighted the ongoing need to further raise awareness in Convention fora about the GEF and how it operates.

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

5. The value of the STAP to the GEF was emphasized by a number of Council Members.

6. Council Members encouraged STAP engagement in the areas of the green economy, oceans, climate proofing and resilience, as well as in moving forward with the Rio+20 effort, specifically related to the role of science in financing global environmental benefits.

7. One Council Member noted the need for an assessment of the oceans within the UN system and expressed an interest in the promotion of marine spatial planning and sustainable fishing. The STAP Chairperson explained that the 2012 work program includes activities on marine spatial planning and fisheries certification.

8. A few Council Members opined that it would be beneficial for STAP to provide input early on in the project review process, as well as into the knowledge management process.

9. In responding to one Council Member's concern that the link between social and environmental sciences is lacking, the STAP Chairperson agreed that the proposed adaptation panel member would be a social scientist.

10. Several Council Members asked STAP to continue its engagement on the Great Green Wall initiative as the proposal continues to be developed.

Agenda Item 7 Annual Country Portfolio Evaluation Report-2011

11. The Council welcomed the Annual Country Portfolio Evaluation Report 2011 and highlighted the importance of this evaluation stream of work for the GEF partnership.

12. Some Council Members asked for more information on achieved cost savings in the two Country Portfolio Studies (CPSs) and called for more joint and coordinated work with national institutions, considered vital to develop national capacity. The Team Leader for Country Portfolio Evaluations (CPEs) explained that savings and a lower evaluation burden to countries were achieved in El Salvador and Jamaica by using the same consultants that were conducting the UNDP country evaluations and organizing joint stakeholders' consultation events (interviews and workshops). He emphasized that the Office is presently exploring possibilities for a strong involvement of Brazilian evaluators in the forthcoming Brazil CPE.

13. One Council Member expressed concern about the reported implementation delays that are caused by inflexible recruitment and procurement procedures in the GEF Agencies which are not suitable to SIDS, where environmental expertise and supplies are limited. The Director suggested that Council Members highlight this issue in the Boards of the Agencies concerned.

14. One Council Member asked for specific/pointed recommendations that would be useful to constituencies with SIDS countries. The Director explained that next year's Annual Country Portfolio Evaluation Report will include such recommendations, when all CPE's in the region have been completed.

Agenda Item 8 Annual Performance Report-2010

15. Several Council Members expressed concern regarding continued delays with the completion and submission of terminal evaluations. The Director informed the Council that the recommendation to strengthen collaboration with the independent evaluation offices of the GEF Agencies to address information gaps with GEF partners should reduce such delays.

Agenda Item 9 Annual Monitoring Report

16. Several Council Members expressed their appreciation and support for the Secretariat's two-phased reporting approach. One Council Member mentioned that parliaments often request data on an ad-hoc basis and noted that access to the GEF's database would be helpful. The Secretariat explained that project information is available through the GEF website's country portal page and that access to the full database by the Council will be further addressed through the GEF IT strategy.

17. Another Council Member requested that, in future reports, a comparison of total resources programmed by year should be provided across all GEF replenishments (GEF-2 through GEF-5). The Secretariat agreed to include such an analysis in the next Annual Monitoring Report.

18. Comments were also made about the lack of clarity on some of the indicators in the management and effectiveness section of the report. The Secretariat explained that these indicators were still being tested and welcomed any specific comments or suggestions from the Council on how to improve and update the indicators. For the next Council meeting, the Secretariat will revise and adjust the indicators based on such suggestions, as well as on experience with the indicators over the past two years.

Agenda Item 10 Four-year Work Program and Budget of the Evaluation Office

19. The vision and work program proposed for GEF-5 for the Evaluation Office was supported by many Council Members.

20. Several Council Members questioned the need for "front-loading" the budget with an approval for the first three years, as well as the need for a multi-annual budget for evaluations. The Director explained that evaluations are implemented across fiscal years. Annual budgets do not accommodate the multi-year nature of the commitments for evaluations. A multi-year window needs to be created to ensure that evaluation work that will continue in the next fiscal year can be started. The approved \$2 million budget for evaluations in FY12 will cover the cost of evaluations that will begin in FY12 and will finish either within the same fiscal year or in FY13.

21. The Director explained that, historically, the Office's budget peaks in the second year of the four-year period, due to the implementation of the Overall Performance Study. The budget for FY11 actually represents a low point in the budget cycle, so an increase is needed to build up towards OPS5 in FY13. After FY13, the budget is projected to go down. In the opinion of the Director, if the total amount of funding approved for GEF-4 is compared to the total amount projected for GEF-5, the proposed increase is slightly higher than an annual increase of 3 percent linked to inflation and purchasing power.

22. Several Council Members pointed towards recent efficiencies that were achieved by the Office and asked the Office to continue to explore possibilities for savings. The Director promised to be diligent on this issue and will report back to the Council in one year.

Agenda Item 11 FY12-14 Business Plan and FY12 Corporate Budget

23. Many Council Members emphasized the need, during the FY12-15 period, to keep corporate budget expenses under the \$120 million level that was allocated in the fifth replenishment, as funding above this level would cut into project funding. The CEO agreed that there is a risk of overrunning this level. She proposed that the four central GEF entities work together to develop an FY13 corporate budget request that would demonstrate how they collectively would respect the \$120 million corporate budget envelope through the end of GEF-5.

24. Many Council Members noted concern at the large increase being requested by the Trustee for the new “Non-Core Central Unit Cost,” at a time when countries and other multilateral institutions were enacting budget cuts. However, several Members noted their agreement with the principle of full cost recovery.

25. Many Members asked how the 10% fee figure was calculated, and noted that it was not clear what costs were being covered by this new charge. It was unclear, for example, why the GEF needed to cover costs related to the World Bank’s Independent Evaluation Group. Several Council Members questioned whether all Financial Intermediary Funds (FIFs) were being treated equally.

26. Some Council Members questioned whether there was no other option but for the GEF to accept the increase, or if there was scope to agree to a lower increase and inquired about what services the GEF would lose, for example, if it decided to pay a lower fee. Several asked what the GEF could do to ensure that the Bank didn’t increase these charges in the future.

27. The Trustee clarified that the World Bank has billed the GEF for hours spent servicing the GEF, including overhead costs, but that the new fee covers items that the Bank’s administrative budget had previously absorbed. As the Bank enters a flat budget environment, this subsidy will no longer be possible. The Trustee assured the Council that the Bank is still less expensive than commercial banks and does not operate trust funds at a profit. The Trustee also emphasized that the Bank was treating all FIFs equally.

28. A few Council Members asked why there had been an overrun of \$100,000 for the special initiative approved in 2009 to review GEF systems. They asked for further clarification as to whether there would be future cost increases. The Trustee explained that the \$100,000 was already spent, and that there would be no additional costs. The Trustee and the CEO noted that the findings of this review would lead to a proposal for the GEF to invest in information technology upgrades.

29. In the context of the Council’s decision to establish a multi-year disbursement window for the funding of multi-year evaluations, the Evaluation Office agreed that it would report on the use of the funding. If additional funding were needed for new evaluations, the Office would request funds to cover these costs in its annual business plans and budgets.

30. On the business strategy, one Council Member asked whether the GEF was not being overly ambitious on technology transfer in the context of the UNFCCC. The CEO responded by noting that the text in the strategy simply included activities that both this Council and the UNFCCC Subsidiary Body for Implementation had already approved the GEF to undertake.

31. Two Council Members questioned the level of resources included in the budget to support GEF work related to the Rio+20 Summit. Other Council Members recommended that, while showcasing GEF accomplishments is important, the GEF should focus on making prospective recommendations rather looking at the past. The CEO noted that a good understanding of the past is essential to making valuable prospective recommendations. She identified the review and outlook for Convention reports and enabling activities and a retrospective focused on 20 significant GEF projects as the most important elements of the special initiative, while agreeing that the final work should recommend, in view of GEF

experiences, concrete activities that would lead to a green economy. The Council agreed to fund these elements with an allocation of \$260,000, and the Secretariat agreed to make this work as prospective as possible.

32. Another Council Member praised the emphasis on cross-focal area synergies in the document.

Agenda Item 12 Report of the Selection and Review Committee

33. The Chair of the Selection and Review Committee (SRC) reported on the positive SRC evaluations of the CEO and EO Director, and an expert from the human resources unit of the World Bank explained the steps that would be taken in the process of selecting a new GEF CEO that will begin in November 2011.

Agenda Item 13 Work Program

34. Council Members were happy, in particular, with the multi-focal area and multi-trust fund features of the projects/programs submitted in this work program. Many Council Members expressed strong support for the Program for Sahel and West Africa, recognizing the strong political support at the highest level for this initiative. The Program was praised for its innovativeness, particularly for its ability to draw resources from multiple trust funds. It was emphasized that the Program should build on the experience of TerrAfrica and that country ownership is of paramount importance when implementing the projects under the Program.

35. Due to the complexity of the Program, the Council requested the World Bank and the GEF Secretariat to provide, starting at the spring 2012 Council meeting, an annual information document on the status of the Program, including more detailed answers particularly on governance structure, institutional setup for regional cooperation, and knowledge management, as well as the issues identified by STAP.

36. Many Council Members, likewise, recognized the innovativeness of the pilot project on technology transfer and praised its ability to draw resources from multi-trust funds. However, other Council Members expressed concern over how the GEF is positioning itself on technology transfer, considering that UNFCCC Parties have not yet had sufficient opportunity to develop guidance on how the mechanism should work.

37. One Council Member suggested that the work program cover note refrain from mentioning Voluntary Carbon Standards in one project, so as not to preempt ongoing UNFCCC negotiations on the issue. Another Council Member was of the view, however, that the reference would actually be beneficial as a “road test” for the negotiations.

38. Some Council Members expressed concern regarding the absence of projects in the IW and Chemicals focal areas. The CEO explained that she chose to fund projects in BD, CC, and LD to give priority to the programming of STAR resources. The funding decision must take into consideration that GEF resources may be limited. The programming of projects has to consider the remaining years of GEF-5.

39. One Council Member commented on the absence of PIFs in the Great Green Wall Initiative Program. The CEO clarified that the PFD provides the framework for the program,

which the Council is requested to approve. The PIFs will be developed based on this framework. Under the new project cycle rules, concept approval under Programs has been delegated to GEF Agencies with Boards that approve projects. In this respect, the World Bank clarified that the projects under the Program will be developed within the next 18 months through their internal approval processes, and that final project documents would be prepared for submission to the GEF Secretariat for CEO endorsement before implementation. All concept notes are publicly disclosed, and the World Bank will submit a report aggregating the status of all projects under the Program to the Council in one year.

40. One Council Member noted that the total amount of resources programmed so far is about 10%. He reminded the parties to work together to speed up the implementation process and urged those who have not done so to deposit their instruments of commitments/contributions.

41. One Council Member stressed the importance of the role of National Portfolio Formulation Exercises as an essential element to ensure the quality of projects. This reinforced other comments from Council Members on the paramount importance of country ownership, particularly by engaging local communities in the decision process.

42. In response to a question, the CEO emphasized that an initiative, like the Great Green Wall, can only materialize if supported by a political request from the highest levels. The Secretariat has not seen such interest from other regions, except for the Pacific Island States.

43. A number of Council Members indicated that they will provide additional written comments on the work program.

Agenda Item 14 Enhancing the Visibility of the GEF

44. The Council welcomed the clarity and all-encompassing nature of the proposed branding strategy.

45. Several Council Members expressed concern about the potential use of the allocation of resources to sanction Agencies that do not comply with the strategy will hurt country ownership. The CEO explained that no country's allocation would be affected. Under the policy, if a concern should arise about a specific agency's adherence to the Communications and Visibility Policy, facts would be brought to the Council, which might then decide to restrict that agency's access to GEF resources. One Council Member suggested including the GEF Operational Focal Points as a means to help implement the proposed strategy. Another Council Member emphasized the responsibility of Council Members in the implementation of this strategy in their countries and constituencies.

46. The NGO Network expressed support for the proposal and stated that they would work with member organizations to implement the guidelines. They expressed concerns about the requirements stated in Paragraph 37 with regards to the feasibility of the many civil society organizations that work on Small Grants Programme projects. The Network requested to work with the Secretariat to find a way for civil society to comply with this requirement in a way that would not overwhelm the Secretariat.

Agenda Item 15 Broadening the GEF Partnership under Paragraph 28 of the GEF Instrument

47. The GEF Council agreed that broadening the partnership under Paragraph 28 was an historic moment for the GEF and in international development assistance. One Member stated that the pilot gives immense hope to small and vulnerable countries.

48. Several Council Members expressed concern that the process was too complex, and there were questions on whether some of the requirements were too stringent, posing a significant risk that no national institutions would be able to meet the standards. Members emphasized the need for flexibility in applying the criteria, and two Members suggested that if no national agencies could be accredited, then the criteria would need to be revisited.

49. All Members agreed on the importance of enhancing country ownership and on the need to prioritize national institutions. Many Council Members argued that more slots should be given to national institutions on a priority basis.

50. The various details of the proposal in terms of specific criteria, weighting, and other issues were discussed. The Secretariat agreed to give particular attention to criteria 3 (scale of engagement) and 4 (capacity to leverage co-financing) in the Value-added Review, but explained that each applicant would need to score sufficiently on each criteria in order to be recommended.

51. Several Council Members asked for clarification on how the co-financing capacity would be assessed. The Secretariat explained that this assessment would be based on the past performance of the applicant.

52. The GEF CEO emphasized that the Secretariat would apply the criteria in a practical and flexible manner because an overly mechanical approach would be doomed to failure. The Secretariat would make transparent assessments of each applicant's value-added and would present recommendations to the Council. For example, if an applicant were not to receive the minimum required score of 3 on each of the 6 value-added review criteria, the Secretariat could still refer this applicant to the Council for consideration if the Secretariat had reason to believe the applicant would, nevertheless, be worthy of Council approval. The value-added review recommendations from the Secretariat to the Council will make explicit all of the Secretariat's judgments and interpretations and back them up with clear information so that the Council can make decisions.

53. The Council stressed the importance of communicating at the very beginning of the process that the applicant would be required to bear all the costs associated with the accreditation process and to clarify that an applicant that meets the value-added criteria must still fully meet the GEF fiduciary and other standards in order to discourage applicants that are not quite certain up front of their ability to complete the accreditation successfully.

54. A few Council Members questioned the need for capping the amount of financing that each GEF Project Agency could request in the future. The Secretariat clarified that this was to ensure that agencies do not become overly dependent on GEF resource.

55. On the issue of bilateral agencies, there were divergent views in the Council. One group of Council Members argued that the inclusion of a bilateral agency in the pilot would give

countries greater choice and that least developed countries would particularly benefit. They also opined that bilateral agencies are more efficient and could help countries that did not have an accredited national agency.

56. Another group of Council Members stated that they could not support having bilateral agencies participate in the pilot. Several voiced concern that sending money through bilateral agencies would undermine the multilateral nature of the GEF.

57. Two Members questioned the value-added of additional UN Agencies.

58. A few Council Members highlighted the importance of monitoring and evaluation throughout the pilot. One Member stressed the importance of reviewing the pilot in order and in time to provide an input into the replenishment negotiations for GEF-6.

59. There was a diversity of views presented on the proposed Policy on Environmental and Social Safeguard Standards. A few Council Members questioned whether they posed too high a bar for national agencies. One Council Member questioned why the safeguards did not follow the UN Declaration on the Rights of Indigenous Peoples. One Council Member felt that the paper on environmental and social safeguards should reference a complaints mechanism.

60. The Council applauded the gender policy. The CEO emphasized how this policy was aimed at undertaking positive actions, rather than avoiding harm, similar to the GEF's public involvement policy. The proposed indigenous peoples' policy, to be presented in the spring 2012 meeting, would also aim at promoting positive action.

61. One Council Member questioned the value of a gender "focal point approach" and called for the GEF to conduct monitoring of gender issues consistent with the approach agreed in the OECD's Development Assistance Committee. The Secretariat responded that the approach to project review and monitoring on gender would take into account the OECD-DAC guidelines.

62. Two Council Members and the CSOs noted their support for an improved accountability framework for the GEF to hold agencies accountable for applying GEF policies to projects, including safeguards. Another Council Member suggested that the GEF should build an audit function. The Secretariat noted that the portfolio level monitoring work and the work of the Evaluation Office enable a degree of oversight on these issues, and that the conflict resolution coordinator at the GEF Secretariat could also play a role. Moreover, as the Secretariat had explained when introducing the agenda item, the Secretariat would work with the Trustee to examine the issue of accountability, including an audit function, as part of a document containing ideas for an improved accountability framework to be presented at the November 2011 Council meeting.

Agenda Item 16 Key Issues Related to the Nagoya Protocol Implementation Fund

63. The Council thanked the Government of Japan for the generosity in creating the fund, as Japan has already deposited 1 billion yen to the fund.

64. France announced its contribution of 1 million euro to the fund.

65. Norway announced an intention to contribute to the fund, and Switzerland stated that it is also seriously considering making a contribution to the fund.

66. One Council Member requested a report on the fund in the next few meetings and stressed the need to start operationalizing the fund timely as mentioned in the document.

Agenda Item 17 Criteria for the Establishment of Trust Funds within the GEF

67. Council Members emphasized the need for, as well as the disadvantages of, deciding upon criteria for the establishment of trust funds within the GEF. A number of Council Members emphasized the fear of proliferation of funds but cited a need to be pragmatic.

68. Some Members pointed to the need for greater flexibility to implement new priorities of the conventions, consistent with the GEF's role as financial mechanism and to be fair to the GEF *vis* the other multilateral organizations. They also noted the value in allowing the GEF to maintain control of and manage some of the new trust funds that are sure to be created in the future. Many Members stressed the value in attaching a clear sunset provision to such funds.

69. Other Members were not persuaded that the need to respond to convention guidance between replenishment periods arose frequently enough to prevent it from being addressed on an *ad hoc* basis. Some feared the establishment of such criteria would be viewed as an invitation to the CoPs to request new funding windows at the GEF. The concern that the GEF Council might be overwhelmed by the demands of a multiplicity of small fund windows was also raised, as was the worry that new windows might draw funds away from the main GEF Trust Fund. Some asked that the option of expanding the GEF Trust Fund to absorb funding for activities in response to new CoP guidance be more fully fleshed out.

70. The criteria set forth in the document were viewed favorably. A couple of Members noted that, under the criteria, countries in arrears would not be permitted to contribute to the new windows. Many Council Members opined that a minimum numbers of donors and a threshold contribution amount should be added as criteria. The CEO explained that, to the contrary, where a large number of donors are ready to provide large sums of additional money to the GEF, it would make sense to reopen the GEF Trust Fund and the replenishment agreement on programming. The need for an alternative trust fund arises, on the other hand, when the amounts of funding and/or the number of potential donors are small. She stressed that 125 trust funds have been created for climate change and that the GEF has not been involved in the creation of any of them.

71. One Member suggested that the next iteration of the document clarify the relationship between the CoPs and the GEF, specifically that the CoPs do not provide guidance on operational modalities; their guidance is legally limited to policy, programming and eligibility.

72. Another Member proposed that the next iteration of the document allow for the opening of new windows in response to the guidance of Intergovernmental Negotiating Committees, as well as to CoP guidance. She also recommended the GEF Secretariat review the lessons that might be drawn from the recent experiences of the CGIAR in refashioning their fund.

Agenda Item 18 Strategy to Engage with the Private Sector

73. A number of Council Members welcomed the continued efforts on the private sector strategy and identified many positive elements within this document. The Council requested the GEF Secretariat to continue private sector consultations to identify barriers and expectations.

74. Some Council Members requested the GEF Secretariat to provide more details on the non-grant instrument platform, as well as on the SME competition and incubation modality.

75. A Council Member requested the GEF Secretariat to clarify comparative advantages and complementarities of investing in an equity fund and encouraging SME innovations in order to avoid duplication of efforts by other agencies.

76. The Council requested the GEF Secretariat to provide more details on the concept of a technology transfer platform and the potential for private sector partnership in technology transfer. The potential for a South-South cooperation fund may provide a special opportunity for the GEF, as does the potential to work with successful national agencies and organizations.

77. Several Council members supported the concept of one or more energy access platforms, but requested additional details, specifically on how projects through this platform will be different from traditional GEF projects.

78. A Council Member requested details for the administrative procedures of the platforms and one Member encouraged the GEF Secretariat and partner agencies to address private sectors needs for flexibility and expedited processes.

79. In response to Council comments, the GEF Secretariat agreed to work diligently with the multilateral development banks, agencies, and other potential partners to revise the strategy, including by providing detailed and concrete descriptions of platform proposals.

80. The GEF Secretariat requested written comments from the Council, specifically on the types of activities the Council would like to support in the final private sector strategy. The GEF Secretariat will seek approval of the revised and final GEF-5 private sector strategy at the November 2011 Council meeting in order to ensure adequate time for implementation during GEF-5.

Agenda Item 19 Strengthening Relations with the Conventions in the GEF Network

81. One Member, while understanding the importance of enhancing the GEF's responsiveness to the conventions, stressed the importance of remaining mindful of the budget implications of activities to strengthen relations.

82. In response to a question, the Secretariat explained that the GEF is enhancing national engagement with the national convention focal points through the reformed GEF Country Support Program, in particular the National Dialogues, the Expanded Constituency Workshops, and the National Portfolio Formulation Exercises.

Agenda Item 20 Other Business

83. The GEF CEO agreed to work with the Trustee to prepare a document for the November 2011 Council meeting that will show the financial situation of the GEF, including which countries have deposited their Instruments of Commitment and paid in their contributions. The CEO also agreed to speak with the donors and provide an oral briefing to the Council on the different views for addressing the financial situation.

84. The CEO further agreed to bring before the November 2011 Council meeting a document providing information on the rules regarding the composition of GEF constituencies and to include an agenda item on this issue in the November 2011 Council meeting agenda to be held in executive session.

85. The CEO further agreed to bring to the November 2011 Council meeting a review on the administrative expenses of the GEF Agencies to be conducted by an independent consultant.

86. One Council Member proposed reviewing the GEF Rule of Procedure governing decisions by mail. There was general agreement that the current rules on this procedure are adequate.

87. The CEO brought to the attention of the Council two information documents: GEF/C.40/Inf.10, *Agency Progress on Meeting the GEF Fiduciary Standards*, and GEF/C.40/Inf.03, *GEF Knowledge Management Initiative: Strategic Framework and Work-Plan for GEF-5*; she requested that Council Members review these documents and provide comments on them to the GEF Secretariat by the end of August, 2011.

CLOSURE OF THE MEETING

88. The meeting closed on May 26, 2011.