

**HIGHLIGHTS OF THE COUNCIL'S DISCUSSIONS
55TH GEF COUNCIL MEETING
DECEMBER 18 - 20, 2018, WASHINGTON D.C.**

The following is a record prepared by the GEF Secretariat of comments, understandings, and clarifications made by Council Members. These points are supplemental to the Joint Summary of the Chairs, which records the decisions agreed by the Council.

Agenda Item 1 Opening of the Meeting

1. The CEO and Chairperson of the GEF, Naoko Ishii, opened the 55th GEF Council meeting by thanking all participants for a successful replenishment and Assembly. She affirmed the need to concentrate efforts on the achievement of the agreed goals by implementing the GEF-7 strategy to safeguard the Earth's vital global environment.
2. Ishii focused her remarks on three points. The first is the urgency of the situation we are in. Many sources are providing evidence that merits concern: GHG emissions went up in 2017; Deforestation increased again in 2017; Scientists warn that climate change and global environmental degradation has been deeper in speed and scale; the most recent IPCC report stressed the need for unprecedented transformation in all aspects of our society; WWF's "Living Planet" report concluded that global biodiversity has declined by 60% since 1970, and pointed to food production and human settlements as the major causes.
3. The Second point is the need for urgent action. The just concluded CBD, Minamata and Climate Change Conferences of the Parties focused on accelerating action. This was also true in other fora such as the Global Climate Action Summit.
4. Her third point was: what is the GEF's role in this battle? Her view is that GEF7 is a powerful instrument for the GEF to fight against climate change and global environmental degradation. GEF-7 programming strategies are designed to help catalyze transformational

changes to food systems and land use, sustainable cities, and push energy transition, while protecting key biomes.

5. The CEO concluded that GEF7 has very ambitious goals and to achieve them it needs to firm up its implementation policies and procedures to deliver the results soonest.

Agenda Item 4 Policy Measures to Enhance Operational Efficiency, Accountability and Transparency

6. Several Council members expressed broad support for accelerating the preparation, implementation, and financial closure of GEF projects and programs, while noting that the proposed amendments to the Cancellation Policy should consider capacity constraints at the country level. In this respect, some Council members also requested that the implementation of the policy measures be monitored closely at the country level.

7. Some Council members sought further clarity regarding the amount of funds that would be cancelled as a result of a one-time cancellation of uncommitted and unspent funds set-aside for programs approved on or before June 30, 2014, and how such cancelled funds would be used. The Secretariat clarified that such funds amounted to approximately US\$117 million, although the exact amount would only be known following a complete reconciliation by the Trustee and Agencies. The cancelled funds would be made available for programming in GEF-7, in accordance with the agreed programming directions.

8. A few Council members noted that the policy measures focused mainly on efficiency and less on transparency, and that there was a need to strengthen the means by which Operational Focal Points can track the status of GEF projects and programs in their respective countries. The Secretariat confirmed that the GEF Portal would allow for improved transparency in this respect. The Secretariat committed to having access to the Portal by Council Members and Operational Focal Points within six months.

Agency Item 5 Policy on Access to Information

9. Some Council members inquired why the proposed policy would not apply to the Secretariat and IEO. The Secretariat clarified that the Secretariat and IEO are subject to the World Bank's policy on access to information, which reflects international best practice.

10. Some Council members also underscored the importance of circulating Council documents in a timely manner to enable meaningful consultations with constituencies before Council meetings.

Agenda Item 6 *Updated Policy on Environmental and Social Safeguards*

11. Several Council members expressed appreciation for the consultative process through which the proposed policy was prepared.
12. A number of Council members suggested further additions and amendments to the policy and/or associated guidelines to strengthen provisions related to child protection, sexual exploitation and abuse, land acquisition, cultural heritage, the sound management of chemicals, and asbestos.
13. Some Council members noted that there was no universally accepted definition of indigenous peoples, and that the proposed policy should be amended accordingly.
14. Some Council members also underscored that the proposed policy should not introduce additional costs for recipient countries. Another issue raised concerned the inclusion of refugees.
15. Some Council members sought confirmation that the proposed minimum standards apply throughout the implementation chain. The Secretariat confirmed that the minimum standards apply to GEF Agencies, and that Agencies – having demonstrated that their policies and systems meet the minimum standards – would be accountable for identifying, assessing, and managing environmental and social risks and potential impacts in GEF-financed projects, regardless of the executing partners they work with, and the implementation modalities used.
16. Several Council members also requested that the Secretariat take a proactive approach to actual or suspected cases of non-compliance in GEF projects and programs, and that the Council be informed as soon as possible of such cases.

Agenda Item 7 *Harmonizing the Rules and Requirements for all Agencies*

17. Several Council members expressed concerns over the 30% ceiling on the GEF's share of Agencies' portfolios, arguing that it was not in line with the intent of reducing the concentration of GEF resources with a small number of Agencies, that it penalized smaller and more specialized Agencies, and that it interfered with Agencies' internal management.
18. Other Council members noted that the ceiling was agreed as part of the GEF-7 policy recommendations, and that it was indeed important to address Agencies' dependence on GEF funds.

19. Several Council members stressed that any proposed measures to reduce concentration or dependence should not constrain countries' choice of Agency. An annual report on this issue was requested.

20. Some Council members sought further clarity regarding the methodology used to calculate the GEF's share of Agencies' portfolios, the reasons for the proposed late reporting date for Agencies, and the implications in the event that an Agency exceeds the 30% ceiling.

21. One Council member recalled that the mandate for harmonizing rules and requirements should encompass Agency fees, and that a proposal to harmonize the fee structure should be tabled at the next Council meeting.

22. Several Council members expressed support for forming a working group to discuss ways to reduce concentration, while others argued that the group should also develop further the implementation modalities associated with the 30% ceiling.

Agenda Item 8 *Updating the GEF's Minimum Fiduciary Standards Related to Anti-Money Laundering and Combating the Financing of Terrorism*

23. Several Council members requested that the Secretariat develop ways to inform the Council as soon as possible in the event of any actual or suspected misuse of funds and present a proposal for Council consideration at its next meeting.

24. One Council member requested that the last clause, in paragraph 1 (c) of Annex 1 of document GEF/C.55/09, be deleted and replaced with: "including relevant resolutions on terrorism and money laundering". He also proposed to insert in the same paragraph and before the word "prohibited", the words "clearly and specifically". He explained that these proposals were made to provide clarity and avoid future misinterpretation.

25. The GEF Secretariat will revise the minimum fiduciary standards in the future, as appropriate.

Agenda Item 9 *GEF-7 Non-Grant Instrument Program*

26. Several Council members welcomed the non-grant instrument program as an avenue to leverage critical impact from the private sector, as a complement to the GEF's use of regular grant projects. Council members emphasized the benefits of the formalized Advisory Group of Financial Experts to aid the project review process. One Council member highlighted the need to keep GEF OFPs informed on non-grant projects.

27. One Council member inquired on potential liabilities of donors for GEF guarantees. The Secretariat clarified that no risk is taken by the donors given that donor contributions to the GEF Trust Fund are in grants and no reflow to the contributing partner would be envisaged in any case.

28. One Council member discussed the expected leverage ratio of non-grant investments in comparison to regular grant projects. The Secretariat clarified that it would be unfeasible to predict the precise leverage ratio. While in GEF-6 the ratio was 1:16, it remains critical to first and foremost focus on impact and additionality of GEF investments. By focusing on new and potentially risky areas that fit with the GEF mandate, the GEF can address market barriers to mobilizing private capital for the global environment.

Agenda Item 10 Report of the Chairperson of the Scientific and Technical Advisory Panel

29. The Chairperson of STAP, Ms. Rosina Bierbaum, presented a report: (i) noting climate change is underway which highlights the importance of adaptation, (ii) calling for mainstreaming climate risk analysis and data in the GEF project development, and (iii) encouraging innovation and stakeholder engagement.

Agenda Item 11 Semi-Annual Evaluation Report November 2018 and Management Response

30. The IEO commented on the December 18th presentation of the Annual Performance Monitoring Report which described discrepancies between Agencies' self-assessment on outcomes and the Agencies' Evaluation Offices or the Independent Evaluation Office ratings. The IEO remarked that an evaluation on Agency self-assessment of results was forthcoming and would be moved up in response to the Council discussion on the importance of understanding the differences.

31. The Council thanked the Independent Evaluation Office (IEO) for the SAER report and presentation and the results of the study on Additionality and the two Evaluations: Evaluation of GEF's Support to Mainstreaming Biodiversity and Evaluation of the GEF-UNIDO Global Cleantech Innovation Programme (GCIP), contained therein.

32. Several Council members remarked that understanding better the additionality of the GEF is critical to differentiating GEF in the environmental finance sphere. They added that information on additionality would be useful for appropriating funds for the GEF from their individual countries. The six elements of additionality were confirmed to be sound and the methodology put forward was endorsed by the Council members.

33. One Council member commented that additionality of GEF was distinct from results of GEF projects and urged the IEO to retain that differentiation when reporting on it in evaluations.

34. One Council member noted that the issue of sustainability of projects was important, impinged by factors such as duration of projects, monitoring and evaluation, policy and regulatory strengthening, etc. The Council appreciated the report on sustainability ratings and affirmed that improving sustainability remains a focus for the Council. The IEO was requested to continue reporting, through evaluations and special studies on sustainability trends within the portfolio. The IEO clarified that given the brief time between this Council presentation of sustainability ratings in June 2018 and this Council that one wouldn't expect a change All of the Strategic Country Cluster Evaluations that will be presented at the Spring 2019 Council meeting have a strategic focus on sustainability.

35. The importance of GEF retaining a focus on the policy/regulatory environment was noted by a Council member as an important factor in sustainability of projects. IEO reported that the OPS6 study on GEF's support to the policy/regulatory environment confirmed that intervention in these areas was a key comparative advantage for the GEF.

36. One Council member also noted that they would like to hear UNIDO's reaction to the evaluation of the GCIP as recommendations were also addressed to the Agency. The IEO informed the Council that the evaluation had been done in cooperation with the UNIDO Evaluation Office and the Agency, through the Coordination Unit, had opportunities to review a draft and comment on the findings, conclusions and recommendations.

37. Several Council members affirmed the initiative for a peer review of the IEO and stated that it was good practice for the IEO to be externally reviewed. Council members asked about best practices in this area and the advantages and disadvantages of a peer review versus an external evaluation, commissioned by the Council. The IEO responded that it was more common for independent evaluation offices to be peer reviewed by colleagues that came from other independent evaluation offices within the UN system and academic institutions. The Council endorsed the proposal to move forward with a peer review of the IEO and asked to be kept abreast and have an opportunity to comment on the Terms of Reference and direction of the peer review.

Agenda Item 12 Work Program

38. The Council welcomed the Work Program and acknowledged that the composition of any first Work Program in a new GEF cycle cannot be interpreted as representing a trend across future Work Programs.

39. Several Council members requested increased share of funding support for SIDS and LDCs going forward.

Agenda item 13 *Annual Portfolio Monitoring Report 2018*

40. Several Council members expressed appreciation of the report, including the analysis and effective data visualization.

41. Some Council members sought further clarity regarding the underlying causes for some of the performance issues and delays identified in the report.

42. A few Council members raised concerns over the low submission rate of some monitoring reports and requested that the upcoming monitoring and evaluation policies address this issue.

43. Several Council members expressed concern over the large discrepancy between Agencies' management self-rating and independent evaluators' ratings and requested further analysis on the reasons for that discrepancy.

44. Several Council members also underscored the importance of reporting on actual results, rather than just expected results, and welcomed the Secretariat's commitment to doing so starting with GEF-6 projects that reach mid-term.

45. One Council member, supported by others, proposed the establishment of a working group on results.

Agenda Item 14 *Relations with the Conventions and Other International Institutions*

46. Executive Secretary of the Minamata Convention on Mercury, Ms. Rossana Silva-Repetto, expressed appreciation towards the Secretariat for significant increase of GEF-7 funding envelope in support of the Minamata Convention and noted the recent major achievements: 101 parties' ratification and the adoption of the MOU.

47. Stockholm Convention, UNCCD, CBD, UNFCCC and International Waters presented outcomes of recent COPs and other key meetings, donors' pledges and future work plans.

48. Council members requested further work and update on the GEF & GCF complementary and collaborations, strengthened partnership with the Conventions for successful implementation of GEF-7 IPs and MFA projects and programs, and contribution towards SDGs.

49. One Council member highlighted that the GEF-7 ambition and transformation changes need to result in local benefits and tangible impacts on the ground.

50. One Council member expressed concern that the illegal wildlife trafficking issue was not adequately addressed by any Conventions.

Agenda Item 15. Options for a Responsible Investment Strategy

51. Council members appreciated the presentation by the Trustee and asked questions including: When can the final policy be expected and could deliberations of how such a policy could look like begin in parallel? What are the cost implications of the options? Is this in line with the principles of the Paris Agreement? Since the proposal to the GEF will only come after the overarching principles are approved by the WB governing structure, what does that entail for the GEF and the development of a strategy for the GEF? How will inputs from Council be solicited?

52. The Trustee responded that these policies will be in effect as of 2019. Following this it will engage in a dialogue with Council and the strategy should be ready for a decision by the next council. With respect to the WB strategy, Trustee wants to be as inclusive as possible. With respect to the challenges and how to overcome them: we have engaged with market stakeholders to try to be “standard setters” and Council should expect to see and hear more about that. The WB is trying to take the lead whenever it can. With respect to the Paris agreement and its applicability a response will be provided after consultation. A document should be sent for approval by the WB treasury. We don’t know if this needs approval at the WB board levels as well or if the WB treasury level is sufficient at this stage.

Agenda Item 16. Report from the Ad-hoc Working Group on Governance

53. The Council Member chairing the Working Group provided background on the agenda item. An initial meeting of the 6-member working group was held on the margins of the GEF Assembly and two phone conferences and separate discussions with IEO and Secretariat. Agencies were able to provide input. The working group has not yet concluded its work. The working group will provide a draft working plan to the Council, when available.

54. One Council Member participating in the Working Group invited Council members to share views and provide input, as they see fit, at any point in time.

55. The Chairman of the Working Group informed the Council that the membership had changed and proposed a decision to approve new members of the Working Group.

Agenda Item 17. *Strengthening Consultations with Civil Society: Proposed Topic for Discussion at the Consultations of the 56th GEF Council Meeting*

56. The Secretariat presented two topics for consideration: Plastics management to avoid pollution, jointly by CSO; Illegal wildlife trade, a CSO perspective.

57. Several Council members expressed their views supporting one or the other topic and a few proposed additional topics. In conclusion it was agreed that the issue of plastics would be discussed at the 56th Council and illegal wildlife would be discussed at the 57th Council.

Agenda Item 19 *Other Business*

58. Measures to enhance sustainability of GEF projects and programs: The Secretariat presented document GEF/C.55/Inf.14, *Measures to Enhance the Sustainability of GEF Projects and Programs*. Several Council members reiterated their concerns over the apparently low sustainability ratings across the GEF portfolio, and the need for concrete measures to enhance sustainability in line with the GEF-7 policy recommendations.

59. One Council member, supported by several others, proposed that: (i) IEO make concrete recommendations on ways to enhance sustainability at the Fall 2019 Council meeting, (ii) the Secretariat consider ways to ensure that climate resilience and sustainability are considered in the Impact Programs, and (iii) requirements for post-completion evaluation be strengthened in the upcoming evaluation policy.

60. Combating Sexual Exploitation and Abuse: One Council member made an intervention to underscore the importance of combating sexual exploitation and abuse, calling for zero tolerance of any failure to act on incidents.