



Global Environment Facility

May 27, 2004

JOINT SUMMARY OF THE CHAIRS GEF COUNCIL MEETING MAY 19-21, 2004

OPENING OF THE MEETING

1. The meeting was opened by Leonard Good, Chief Executive Officer/Chairperson of the Facility.

Election of a Chairperson

2. The Council elected Jinkang Wu, the Alternate Member representing China, as its elected Co-Chair.

Adoption of the Agenda

3. The Council approved the provisional agenda set forth in document GEF/C.23/1/Rev.1.

STAP

4. Ms. Julia Carabias Lillo, the Chair of STAP, reported on work that STAP III has been carrying out and referred to the information documents that were before the Council. She also reported on progress in STAP's work on interlinkages and synergies, and she indicated that a report should be available in November 2004.

5. The Council expressed its appreciation for the excellent work and progress that have been made by STAP in the last two years and thanked Ms. Carabias for her dedication, leadership and hard work.

DECISIONS OF THE COUNCIL

6. The Council approved the following decisions with respect to the items on its agenda.

Decision on Agenda Item 5 Appointment of Monitoring and Evaluation Director

7. The Council unanimously approves the appointment of Mr. Robert David van den Berg as Director of the GEF Monitoring and Evaluation Unit. The Council expressed its strong support for the appointment of Mr. van den Berg, noting his excellent qualifications for the

position and his clear professionalism. The Council looks forward to working with him and expressed its appreciation to the CEO for a good selection process.

Decision on Agenda Item 6 Report of the Monitoring and Evaluation Unit

8. The Council reviewed document GEF/C.23/3, *Report of the Monitoring and Evaluation Unit*, and takes note of the conclusions and recommendations of the *Project Performance Report 2003* and the *Review of GEF's Engagements with the Private Sector (Final Report)*.

9. The Council requests the Monitoring and Evaluation Unit to work with the GEF Secretariat and the Implementing Agencies to prepare an action plan, including proposed actions, timetables and where appropriate, costs, for responding to the reports' recommendations, taking into account the comments made at the Council meeting, for review and approval by the Council at its meeting in November 2004. In particular, the Council underscores that the work should address as a priority time delays in project preparation and implementation and disbursement of funds, including gaps between the approved commitments and the Implementing Agency's project disbursements, procedures to standardize project ratings and guidelines to ensure consistency in their application, methodologies and options for measuring and integrating sustainability and replication in GEF projects, and simplification of project objectives.

10. Council requests the Monitoring and Evaluation Unit to indicate in the Project Performance Report any project rating it does not believe is credible.

11. Consistent with the terms of reference for the independent monitoring and evaluation unit, the Monitoring and Evaluation Unit is requested to prepare for Council's approval a four year rolling work plan, an annual work program and a budget.

12. The Monitoring and Evaluation Unit is requested to develop for Council review procedures to clarify how the unit relates to the Council.

13. The Monitoring and Evaluation Unit is also requested to collaborate with the GEF Secretariat and the Implementing Agencies to clarify procedures as to how the unit will work with other entities in the GEF family, including a process for management responses to its reports.

14. The Monitoring and Evaluation Unit is requested to keep a record of recommendations that are supported by the Council and to report regularly to the Council on the progress made in responding to those recommendations.

15. The Council welcomed the information that had been provided by the Implementing Agencies concerning their systems for addressing at risk projects and requests the Executing Agencies to submit information on such systems in their organizations.

Decision on Agenda Item 7 Terms of reference for the third Overall Performance Study of the GEF

16. The Council, having reviewed GEF/C.23/4, *Terms of Reference of the third Overall Performance Study of the GEF*, and GEF/C.23/CRP.1, *GEF OPS3: Terms of Reference Conflict of Interest Provisions*, approves the terms of reference, subject to comments made at the Council meeting. The Council also approves US\$2,035,605 to be included in the budget of the independent monitoring and evaluation unit to cover the costs of OPS3.

Decision on Agenda Item 8 Work Program

17. The Council reviewed the proposed Work Program submitted to Council in document GEF/C.23/5 and approves it¹ subject to comments made during the Council meeting and additional comments that may be submitted to the Secretariat by June 4, 2004.

18. The Council also reviewed and approved the following two projects that were originally included in the Intersessional Work Program circulated to the Council on February 20, 2004:

- (a) Botswana: Renewable Energy-based Electrification Program, and
- (b) Regional (Indonesia, Philippines): Marine Aquarium Market Transformation Initiative (MAMTI)

19. The Council finds that, with the exception of:

- (a) Cameroon: Forestry and Environment Sector Adjustment Credit (World Bank);
- (b) Egypt: Solar Thermal Hybrid Project (World Bank);
- (c) Global: LDC and SIDS Targeted Portfolio Approach for Capacity Building and Mainstreaming of Sustainable Land Management (UNDP); and
- (d) Global (Philippines) Program to Demonstrate the Viability and Removal of Barriers that Impede the Successful Implementation of Available Non-Combustion Technologies for Destroying Persistent Organic Pollutants (UNDP/UNIDO);

each project presented to it as part of the work program (i) is or would be consistent with the Instrument and GEF policies and procedures and (ii) may be endorsed by the CEO for final approval by the Implementing Agency, provided that the CEO circulates to the Council Members, prior to endorsement, draft final project documents fully incorporating the Council's comments on the work program accompanied by a satisfactory explanation by the CEO of how

¹ One Council Member, in light of national legislation regarding its country's voting position for development projects financed by certain development institutions, opposed the following project proposal: *Regional, Integrating Watershed and Coastal Area Management in Small Island Developing States of the Caribbean (UNEP/UNDP)*.

such comments and comments of the STAP reviewer have been addressed and a confirmation by the CEO that the project continues to be consistent with the Instrument and GEF policies and procedures.

20. With respect to the projects specified in paragraph 19 above, the Council requests the Secretariat to arrange for Council Members to receive the draft final project document for each project and to transmit to the CEO within four weeks any concerns they may have prior to the CEO endorsing the project document for final approval by the Implementing Agency. Such projects may be reviewed at a subsequent Council meeting at the request of at least four Council Members.

21. Furthermore, with respect to *Cameroon: Forestry and Environment Sector Adjustment Credit*, the Council agreed that it is approving the proposal as a one-time exception from approved GEF policy and practice due to a lapse in Secretariat review procedures. No further such proposals for GEF financing will be allowed to enter the work program until and unless there is a Council-approved policy on such support. (Such support is defined as that which involves disbursements other than those required for payments for project-related goods/works/services, and includes all budget support, structural adjustment, sector-wide approach assistance and similar projects.) The CEO is directed to inform all Implementing Agencies and Executing Agencies of this decision. In addition, the Council agreed that approval of this Cameroon proposal shall not in any way prejudice any policy on this matter and shall not be considered a precedent or pilot for any future assistance. Finally, the Council welcomed the World Bank's assurance that additional safeguards will be incorporated, including joint GEF Secretariat/World Bank decisions on tranche releases, at least annual auditing of the related program fund, and involvement of the GEF Monitoring and Evaluation unit in assessing performance of the Cameroon project. The Council requests the Secretariat to prepare a paper on activities to which practices and lessons learned from this project might be applicable.

Decision on Agenda Item 9

Institutional Relations

22. The Council reviewed document GEF/C.23/6, *Institutional Relations*, and welcomes the information that is provided on the progress that has been made under the international environmental conventions. The Council notes, in particular, the recent decisions and guidance that was approved by the Conference of the Parties to the Convention on Biological Diversity (Kuala Lumpur, February 2004) and the Conference of the Parties to the UNFCCC (Milan, December 2003). The Council requests the GEF Secretariat and the Implementing and Executing Agencies to continue to seek opportunities to work with recipient countries to develop and implement projects consistent with the decisions of the conventions. In working with recipient countries, the Council encourages the GEF Secretariat and its Implementing and Executing Agencies to be mindful of, and work with, regional organizations and initiatives that these countries have established to help meet global environmental objectives. The GEF Secretariat is requested to maintain its consultations with the Implementing Agencies and Convention Secretariats on how best to ensure continued responsiveness to the relevant decisions of the conventions and to keep the Council regularly informed of the progress that is being made.

23. The Council reviewed document GEF/C.23/6, *Institutional Relations*, GEF/C.23/6/Add.1 and GEF/C.23/Inf.14 *Information on the request of South Africa for assistance from GEF to phase-out Methyl Bromide, an Ozone Depleting Substance (ODS)*, and considered the request from the Meeting of the Parties to the Montreal Protocol that the GEF finance project proposals from South Africa on phasing-out the Annex E substance. The Council agrees to provide project preparation financing (PDF B) to South Africa to develop a project proposal for phasing-out methyl bromide without prejudice to a later discussion and decision on financing of the project. The Council notes that this provision of financing to South Africa for purposes of the Montreal Protocol is being done on an exceptional basis, recognizing the historical situation of South Africa and the importance to the global environment of phasing out methyl bromide. The Council firmly stressed that this decision should not be viewed as establishing a precedent. The CEO is requested to inform the parties to the Montreal Protocol, through the Executive Secretary of the Ozone Secretariat, of its decision and deliberations. In his communication, the CEO is requested to inform the Parties of its serious concern that the Parties to the Montreal Protocol took a decision with financial implications for the GEF without any prior consultation with the GEF Council.
24. The Council requests the Secretariat to prepare for its meeting in November 2004 a note on the allocations foreseen under the land degradation focal area as well as allocations to land degradation through the other GEF focal areas.
25. The Council also requests the GEF Secretariat, in collaboration with the Implementing Agencies, to prepare an analysis of the scope, implementation focus and coherence of the land degradation activities for submission to its meeting in November 2004.
26. The Council welcomes document GEF/C.23/Inf.8, *GEF Assistance to Address Adaptation*, and requests that the new strategic priority on adaptation be implemented as early as possible. In financing adaptation activities under the GEF Trust Fund, the GEF Secretariat and the Implementing Agencies are requested to ensure that projects are consistent with the principles of the Trust Fund, including criteria concerning incremental costs and global environmental benefits.
27. The Council welcomes the guidance of the Conference of the Parties to the CBD inviting the GEF to extend support for demonstration projects on implementation of the national biosafety frameworks to other eligible countries.
28. The GEF Secretariat is requested to provide information to UNEP on GEF-financed capacity building activities and the GEF Strategic Approach to Capacity Building, and to participate in international discussions on the development of a strategic plan for capacity building for UNEP to ensure that UNEP's activities are complementary to those of the GEF.
29. The Council approves the staggering of the terms of appointment of members of the STAP, and approves the list of reconstituted STAP III Members for the period July 1, 2004, to June 30, 2006, presented in Annex D of document GEF/C.23/6. The Council also welcomes the

submission of document GEF/C.23/Inf.11, *Rules of Procedure of the STAP*, and supports the efforts made to further institutionalize STAP's operations in accordance with the Instrument.

30. The Council confirms that the practices of the Trustee with regard to monitoring the GEF resources made available to the Implementing Agencies, as described in paragraphs 11 to 15 of document GEF/C.23/Inf. 3, are satisfactory to meet the Trustee's obligations under the Instrument to monitor the application of budgetary and project funds so as to ensure that the resources of the Trust Fund are being used in accordance with the Instrument and the decisions taken by the Council. The Council agrees that the Trustee should follow similar arrangements with respect to monitoring of GEF resources made available to the Executing Agencies. The Trustee is requested to continue to monitor the GEF resources and, in consultation with the GEF Secretariat, to inform the Council of any additional measures that may be needed to strengthen the financial procedures.

31. The Council also agrees that, given the importance of the agencies' financial reports to the Trustee's ability to discharge its responsibilities under the Instrument, the Trustee may suspend commitment and disbursement of GEF funds that have been allocated by the Council and/or the CEO, as appropriate, to any agency which is out of compliance with its reporting obligations to the Trustee under the Financial Procedures Agreement the agency entered into with the Trustee, when non-compliance has continued for a period of not less than thirty days after written notification from the Trustee. Such suspension may continue until such time as the non-compliance is resolved to the satisfaction of the Trustee.

32. The Council confirms that the African Development Fund, the concessional financing window of the AfDB Group, may have direct access to GEF resources. The Council requests the GEF Secretariat and Trustee to endeavor to complete the necessary arrangements with all Executing Agencies that are to have direct access as expeditiously as possible so that direct access can proceed in a timely manner, and requests the GEF Secretariat to report to the next Council meeting on progress in finalizing the arrangements.

Decision on Agenda Item 10

Performance Based Allocation Framework

33. The Council reviewed the document GEF/C.23/7, *Performance-based Allocation Framework for GEF Resources*, and agrees that the GEF Secretariat should convene a seminar in September 2004 with a view to advancing the Council's work. In preparation for the seminar, the GEF Secretariat, is requested to prepare a new, more elaborated document proposing additional options and simulations (without country identification), taking into account the deliberations of the Council at its meetings in November 2003 and May 2004 and written comments that may be submitted by Council Members by June 30, 2004.

34. With a view to advancing the Council's work, the GEF Secretariat, taking into full account the decision of the GEF Council at its meeting in November 2003 on the Performance Based Allocation Framework, is requested to propose options and simulations that:

- (a) are consistent with the GEF Instrument;

- (b) are sufficiently specified to be operational;
- (c) use GEF-appropriate indicators and weightings;
- (d) provide explicit consideration of: floors and ceilings; regional and global projects, including the Small Grants Program, cross-cutting capacity building for LDCs and SIDS, and enabling activities; and other provisions aimed at providing flexibility appropriate to the GEF's mandate;
- (e) take into account the transaction costs associated with operating the framework; and
- (f) are consistent with the provisions and prerogatives of the conventions to which the GEF is the financial mechanism.

35. In developing indicators, consideration should be given to an indicator related to poverty and a country's ability to finance global environmental activities by itself.

36. The Council confirms that simplicity, transparency, pragmatism, cost-effectiveness, comprehensiveness, country-drivenness, and equal opportunity for all recipient countries should be underlying principles in designing the performance based framework.

37. The GEF is requested to ensure the effective participation of two representatives of each constituency in the seminar, and is also requested to invite a representative of each of the Convention Secretariats and of the GEF NGO network to attend. The GEF may also invite a representative of other institutions with relevant experience in designing a PBA system, such as IFAD.

Decision on Agenda Item 12 Corporate Budget FY05

38. The Council reviewed document GEF/C.23/9, *GEF Corporate Budget FY05*, and approves² the proposed FY05 corporate budget of \$25.775 million, subject to the comments made during the Council meeting. The budget comprises:

- (a) An amount of \$22.768 million for the resource requirements of the six GEF units in the provision of corporate management services: GEF Secretariat, the Scientific and Technical Advisory Panel; the Trustee; and the coordination units of the three Implementing Agencies;
- (b) \$2.321 million for the Monitoring and Evaluation Unit; and

² The Council Member representing the US opposed the budget, especially in light of the lack of offsetting of large increases with corresponding cuts in the Implementing Agency budgets, which the US believes should be subject to further scrutiny, with a view towards shifting more funds to the Secretariat.

- (c) Special Initiatives, one of \$0.030 million to begin preparations for the Third GEF Assembly and one of \$0.656 million to continue technical work on the performance-based allocation system.

39. The earlier Special Initiative, *Focal Point and Council Member Support Program*, will be extended for another year using the resources already approved by Council for this purpose.

Decision on Agenda Item 13 LDC Trust Fund Budget

40. The Council, having reviewed GEF/C.23/10, *Status report on the Least Developed Countries Trust Fund for Climate Change*, welcomes the progress that has been made in financing the preparation of National Adaptation Programs of Action (NAPAs) by the LDC Parties to the UNFCCC. The Council approves an administrative budget of US\$328,400 for the GEF Secretariat and the Trustee to administer the LDCTF for FY05-06.

Decision on Agenda Item 17 Other Business

41. The Council requests the GEF Secretariat to prepare a draft amendment and a short document on issues associated with amending paragraph 17 of the Instrument for the next Council meeting.

42. Due to time constraints, the Council was unable to consider agenda item 11, *Review of Fee System*, item 14, *Principles for engaging the private sector*, item 15, *Proposals to strengthen national focal points and Council Members*, and item 16, *Process for appointment of GEF CEO/Chairman*. Consistent with paragraph 28 of the *Rules of Procedure for the GEF Council*, consideration of these items will be automatically included on the provisional agenda for the next meeting.

HIGHLIGHTS OF COUNCIL'S DISCUSSIONS

43. The following comments, understandings and clarifications were made during the Council's discussions of its agenda items and related decisions.

Agenda Item 6 Report of the Monitoring and Evaluation Unit

44. The Council recognized the high potential for renewable energy projects in developing countries and asked that the GEF Secretariat, the Implementing Agencies and the Monitoring and Evaluation Unit analyze the barriers that might be hindering the success of renewable energy projects, including solar photovoltaic projects, and to propose a strategy to address those barriers.

45. The Council welcomed the proposal that an online project tracking system be developed and underscored the importance of information and transparency regarding processes and outcomes of projects. It was also stressed that efforts need to be strengthened to keep a recipient government fully informed of the processing of projects in its country.

46. The Monitoring and Evaluation Unit was encouraged to use local and regional experts in conducting their studies and to keep focal points informed of its work. It was also noted that the unit should take into account country circumstances in carrying out its studies.

47. It was suggested that well performing projects be highlighted on the website so that others may learn from their good performance.

Agenda Item 7 Terms of reference for the third Overall Performance Study of the GEF

48. In approving the terms of reference for OPS3, the Council agreed that the criteria contained in the conflict-of-interest paragraph (paragraph 16) will apply to members of the team of consultants selected in accordance with the terms of reference approved by the Council. Local consultants recruited to contribute to OPS3 will be subject only to the general conflict-of-interest criteria, but not to the specific sub-items contained in paragraph 16.

49. The Council expressed its sincere appreciation for the leadership and sustained effort of the Canadian Member and Alternate in preparing the terms of reference.

50. The Council noted the importance of recruiting local consultants to contribute to OPS3 and of ensuring a good balance between international and local consultants.

51. It was suggested that the capacity and role of regional organizations that support SIDS should be part of the evaluation.

52. It was recommended that views of civil society, NGOs and indigenous communities should be taken into account in preparing the evaluation. In this regard, the NGO network offered to assist in local and regional consultations with a view to promoting representation by multiple stakeholders.

53. The Council Member of Canada explained that the budget increases between OPS2 and OPS3 can be attributed to:

- (a) increased number of field visits;
- (b) more time for the team to work together to discuss findings;
- (c) more resources provided for local consultants; and
- (d) provision of an allocation for contingencies.

Agenda Item 8 Work Program

54. The Council welcomed the executive summaries of the project proposals as a tool for expediting review, but expressed concern that some of the summaries were too long and not of consistent quality. The Secretariat was requested to work with the Implementing and Executing Agencies to improve the quality and length of the summaries.

55. Some Council Members emphasized the need to ensure geographical balance in the work program and stressed the need to strengthen the pipeline of project concepts so that all regions benefit from GEF resources.

56. A number of Council Members welcomed GEF's commitment to support a coordinated, phased approach to the implementation of the Action Plan for the Environment Initiative of NEPAD and stressed the importance of supporting African countries and regional organizations to implement this important initiative.

57. It was recommended that Council Members, Alternates and national focal points be notified when the pipeline is posted on the website so that they can review and track the progress of projects.

Agenda Item 9 Institutional Relations

58. For purposes of this agenda item at future Council meetings, the GEF Secretariat was requested to consider, in consultation with the Convention Secretariats, ways to structure a more interactive dialogue with the representatives of the conventions.

59. The Council welcomed the steps that the GEF Secretariat is undertaking to respond to the guidance of the COP on the new climate change funds, and it is recommended that the operational programming for the funds should seek to reflect realistic expectations as to the funds to be made available.

60. With regard to the CBD decision on expanded eligibility for certain capacity building activities related to biosafety, it was recommended that the GEF Secretariat develop procedures to ensure that such GEF financing leads to ratification of the Cartagena Protocol.

61. The GEFSEC and UNEP were requested to organize consultations of regional scientists and technical experts to advise on the project for building capacity for participation in the biosafety clearing house of the Cartagena Protocol before expanding the project pursuant to the guidance of the COP. The concerns expressed by Council Members about the GEF-financed biosafety projects should also be taken into consideration in developing proposals to expand the project.

62. The GEF was requested to inform the Council at its next meeting of its proposals to respond to paragraph 10(c) of decision VII/20 of the CBD/COP7 in which the GEF is requested to support the implementation of the program of work on protected areas and in particular to “support country driven early action by continuing to streamline its procedures and the provision of fast disbursing resources through expedited means.”

63. Referring to document GEF/C.23/Inf.13/Add.1, *Progress Report on Implementation of the GEF Operational Program on Sustainable Land Management*, the Council noted the strong interest in developing activities in the area of land degradation and sustainable management as evidenced by the robust pipeline being developed for OP15. Several Council Members pointed to the need to keep under review the adequacy of resources in this area.

64. The issue of coherence among GEF activities in the area of land degradation was raised during a Council discussion on a proposal for a medium sized project on capacity building for the elaboration of national reports and country profiles by African countries to the UNCCD and the project proposal in the work program on capacity building and mainstreaming of sustainable land management.

65. It was recommended that in the regional workshops and guidelines under development for OP15, information should be provided on forest management activities. It was also recommended that FAO and the UNFF should be invited, as appropriate, to contribute to the work of the GEF task force on land degradation.

66. The Council recalled that the sixth session of the Conference of the Parties to the UNCCD:

“requests the Executive Secretary, in collaboration with the Managing Director of the Global Mechanism, to consult with the Chief Executive Officer and Chairman of the GEF with a view to preparing and agreeing upon a Memorandum of Understanding on the arrangements called for in paragraph 5 above³ for consideration and adoption by the seventh session of the Conference of the Parties and requests that such arrangements should be concluded between the secretariat and the GEF and elaborate on how the GEF should take into consideration policies, strategies and priorities agreed upon by the COP.” (Decision 6/COP.6)

³ Paragraph 5 of decision 6/COP.6 “welcomes the decision by the GEF Council at its meeting in May 2003, requesting the GEF secretariat to discuss with the UNCCD secretariat the arrangements to facilitate collaboration between the GEF and the UNCCD.”

The Council requested the CEO to submit a draft of the Memorandum of Understanding to the Council for its review and comment in sufficient time so that the views of the Council may be reflected in the draft MOU to be presented to the seventh session of the COP for its consideration in 2005. The CEO is requested to include in the MOU a clarification of the roles of the Global Mechanism and the GEF.

67. The GEF Secretariat was requested to review its priorities for financing under the POPs focal area to ensure that they are consistent with the priorities of the Stockholm Convention and national implementation plans.

68. The GEF was encouraged to continue its participation in the deliberations of the CSD, the UN Forum on Forests and the International Meeting for the ten year review of the Barbados Program of Action for the Sustainable Development of the Small Island Developing States to be convened in Mauritius in early 2005. The Council recognized the important contribution that the GEF can make to the work of these processes in presenting information and lessons learned emanating from its on-the-ground activities aimed at integrating global environmental issues and national priorities for sustainable development.

69. It was recommended that the GEF build on the capacity of regional institutions when responding to the guidance of the conventions.

70. In its work with focal points, the GEF was requested to encourage the GEF focal points to enhance their national discussions on sustainable development.

71. The Council requested the GEF Secretariat to provide it with more information on the joint retreat of the three conventions and the GEF referred to in the document.

Agenda Item 10 Performance Based Allocation Framework

72. The Council underscored the need to ensure that the performance based framework serves as an incentive for enhanced performance in achieving global environmental objectives and noted that significant weight should be assigned to a country's potential to deliver global environmental benefits.

Agenda Item 12 Corporate Budget FY05

73. The Council requested that in presenting future corporate budgets, the Secretariat include more information on the outputs to be financed by the budget. In particular, it was recommended that when there are variants in any budget item from a previous year, the document should provide sufficient justification and explanation as to the reasons underlying the proposed variations.

74. Some Council Members suggested that future budgets be presented in a holistic context which clearly reflects the efficiency and productivity of the GEF in delivering on its mandate.

75. A number of Council Members requested that steps be taken to translate information prepared for the Council into French and Spanish.

76. In response to questions from the Council, the Implementing Agencies confirmed that there was no duplication of financing between the corporate budget and project implementation fees.

Agenda Item 13 LDC Trust Fund Budget

77. The Council expressed its appreciation for the contributions that had been made by donors to the LDC Trust Fund for its initial activities.

78. The importance of integrating NAPAs into national sustainable development strategies was emphasized.

Agenda Item 17 Other Business

79. One Council Member suggested that consideration be given to expanding the scope of the international waters focal area to include national waters.

Closure of the Meeting

80. The meeting was closed by the Chairs on May 21, 2004.