



# Global Environment Facility

GEF/R.4/35  
May 31, 2006

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Meeting on the Fourth Replenishment of the GEF Trust Fund  
June 5, 2006  
Washington, DC

**DRAFT**

## SUMMARY OF NEGOTIATIONS ON THE FOURTH REPLENISHMENT OF THE GEF TRUST FUND

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1. The Contributing Participants to the fourth replenishment of the GEF Trust Fund (“the Participants”) agreed to this Summary of Negotiations for transmittal to the GEF Council, along with the attached documents: *Programming Document for GEF-4* (Annex A), *Policy Recommendations for GEF-4* (Annex B), and Resolution No. [\_\_\_\_], *Global Environment Facility Trust Fund: Fourth Replenishment of Resources* (Annex C).

2. This Summary highlights the main agenda items that were considered during these meetings. It is not a comprehensive report of all the detailed discussions that took place during the negotiating process.

### **The Replenishment Process**

3. In November 2004, the GEF Council requested the World Bank, as Trustee of the GEF Trust Fund, in cooperation with the CEO/Chairman of the GEF, to initiate the fourth replenishment of the Trust Fund (“GEF-4”). Accordingly, the Trustee invited prospective Participants to an initial meeting to plan the replenishment negotiations (March 2-4, 2005 in Paris).

4. The meeting welcomed the initiation of the GEF-4 replenishment process and noted the importance of the GEF as the leading multilateral funding mechanism for global environmental conventions. The Participants agreed on the preliminary schedule of subsequent replenishment meetings.<sup>1</sup> In addition, agreement was reached on the arrangements for participation in the replenishment discussions as well as the overall work plan for such discussions.

5. It was agreed that the GEF-4 replenishment discussions should include the following subjects: (i) the Third Overall Performance Study of the GEF (“OPS3”); (ii) programming of resources for the GEF-4; (iii) policy recommendations for the GEF-4; and (iv) financial arrangements and burden-sharing for the GEF-4. It was also pointed out that a decision of the GEF Council on the establishment of a framework for allocation to global environmental priorities and to countries based on performance (the “Resource Allocation Framework”) was a key issue for the GEF-4 replenishment discussions.

### **Establishment of the Resource Allocation Framework**

6. The Participants welcomed the decision of the GEF Council at its Special Meeting held August 31 – September 1, 2005, to adopt a Resource Allocation Framework for implementation in the GEF-4 replenishment period

### **Third Overall Performance Study of the GEF**

7. Participants welcomed the Third Overall Performance Study of the Global Environment Facility, an independent evaluation of the operations of the GEF during the third replenishment

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<sup>1</sup> The following replenishment meetings were held: June 9-10, 2005, Washington, D.C.; September 2, 2005, Washington, D.C.; October 5-7, 2005, Rome; November 11, Washington, D.C.; November 21-22, 2005, Tokyo; and June 5, 2006, Washington, D.C.

period. Specifically, the independent team evaluated: a) the results of GEF activities; b) sustainability of results at the country level; c) GEF as a catalytic institution; d) GEF policies, institutional structure and partnerships, and e) GEF implementation processes. Participants noted that the review was useful in informing the replenishment negotiations of the achievements of the GEF as well as problems that may need to be addressed.

#### **Programming of Resources under the GEF-4**

8. Participants considered a proposal for the programming of resources in the fourth replenishment period to cover four years (FY07 – FY10) of GEF operations and activities in its six focal areas. The *Programming Document for GEF-4* is attached as Annex A to this Summary.

#### **Policy Recommendations for the GEF-4**

9. Participants noted the critical importance of the fourth replenishment of the GEF and recommended that the GEF continue to implement GEF-3 reforms and undertake a range of additional measures to improve performance and results. These recommendations include the following: programming directions (synergies among objectives of the global environmental conventions and strengthening the link between environment and development), strategies and policies (revisions of the focal area strategies, private sector, and incremental costs), institutional reforms (Resource Allocation Framework and expanded opportunities for Executing Agencies), managing for results (capacity building, results indicators, country indicators, geographic distribution of resources, and availability of resources), operational reforms (project cycle streamlining, pipeline management, financial accountability, communications and transparency, lesson learning and dissemination, budget reform, and institutional effectiveness), and monitoring and evaluation (quality of monitoring and evaluation systems, compliance with monitoring and evaluation requirements, and performance and outcomes matrix). The policy recommendations for the GEF-4 are attached as Annex B to this Summary.

#### **GEF-4 Final Pledging**

10. Participants agreed on the six-month averaging period for setting reference exchange rates (May 1, 2005 to October 31, 2005) for use in the GEF-4. These exchange rates are used to determine the national currency contributions to the GEF-4.

11. At their final meeting in [June 5, 2006], Participants agreed that the size of the fourth replenishment should be SDR [\_\_\_\_\_] million (USD [\_\_\_\_\_] million), which takes into account the projected allocation of resources in the Programming Document for GEF-4.

12. The Participants approved the Replenishment Document, Resolution No. [\_\_\_\_], *Global Environment Facility Trust Fund: Fourth Replenishment of Resources* (Annex C), which is in the form of a World Bank resolution, to be endorsed by the GEF Council and submitted to the World Bank, as Trustee of the GEF Trust Fund, for adoption by the World Bank Executive Directors.

13. Pledged contributions to the GEF-4 are reflected in Attachment 1 to the Replenishment Document, *Global Environment Facility Trust Fund – Fourth Replenishment of Resources: Contributions*. These pledged contributions comprise basic and supplementary contributions amounting to SDR [\_\_\_\_\_] million (USD [\_\_\_\_\_] million ) and also reflect credits for accelerated encashments in the amount of SDR [\_\_\_\_\_] million (USD [\_\_\_\_\_] million). In addition, GEF-4 replenishment resources comprise carryover of previous GEF replenishment resources in the amount of SDR [\_\_\_\_\_] million (USD [\_\_\_\_\_] million), and projected investment income to be earned during the GEF-4 replenishment commitment period (FY2007 – FY2010) in the amount of SDR [\_\_\_\_\_] million (USD [\_\_\_\_\_] million).

#### **Financial Issues for the GEF-4**

14. Participants noted that all Contributing Participants to the GEF-4 should make their best efforts to deposit their Instruments of Commitment or Qualified Instruments of Commitment by November 30, 2006. The Trustee will periodically inform the Council of the status of Instruments of Commitment and Qualified Instruments of Commitment deposited with the Trustee.

15. Participants agreed that contributions made without qualification shall be paid in four equal installments by November 30, 2006, November 30, 2007, November 30, 2008 and November 30, 2009, provided that the GEF-4 becomes effective by October 31, 2006. Participants further agreed that Contributing Participants depositing Qualified Instruments of Commitment shall use their best efforts to unqualify sufficient amounts of their contributions to pay their installment amounts by these dates.

16. Participants agreed that payment may be made in cash upfront or by the deposit of non-negotiable, non-interest bearing demand notes or similar obligations to the account of the Trustee. Unless otherwise agreed with the Trustee, such notes, or similar obligations, will be encashed on an approximately pro rata basis among Contributing Participants. Encashments will be made in accordance with the indicative encashment schedule as set out in the replenishment document or as agreed with the Trustee.

17. The Advance Contribution Scheme for the GEF-4 will become effective on the date when the Trustee has received Instruments of Commitment or Qualified Instruments of Commitment from Contributing Participants whose contributions aggregate not less than SDR [\_\_\_\_\_] million (20% of the pledged contributions). The GEF-4 will become effective on the date when the Trustee has received Instruments of Commitment or Qualified Instruments of Commitment from Contributing Participants whose contributions aggregate not less than SDR [\_\_\_\_\_] million (60% of the pledged contributions).

#### **Arrears of previous Replenishment Periods**

18. At the outset of the replenishment process, most Participants expressed concern about the status of arrears by some Contributing Participants at the close of the GEF-3 commitment period. Most Participants requested the settlement of any financial arrears to the GEF Trust Fund during the GEF-4 commitment period.

19. Three means of preventing arrears should apply under GEF-4, according to procedures specified in the resolution for both GEF-3 and GEF-4:

(a) the pro rata provision as defined in the Global Environment Facility Trust Fund Fourth Replenishment Resolution;

(b) the continuation of the requirement in GEF-3 that if a Contributing Participant does not make a scheduled payment to the GEF-4 or a Contributing Participant that has deposited a Qualified Instrument of Commitment is unable to unqualify a scheduled contribution to the GEF-4 then such Contributing Participant shall provide the Council with a written explanation from its Minister stating the reason for the arrears or delay and the steps being taken to resolve it;

(c) confirmation of the provision in the Instrument that voting rights accrue only for the actual contributions paid to the GEF.”

#### **Steps towards Concluding the Process of the Fourth GEF Replenishment**

20. The Participants requested the CEO/Chairman of the GEF to forward this Summary, including the attached Annexes, to the GEF Council for consideration at its meeting in June 2006. The GEF Council is invited to take note of the Summary and to endorse the Replenishment Document and its Annexes.

21. The Participants also invited the GEF Council to request the CEO/Chairperson of the GEF to transmit this Summary to the World Bank with a request that the World Bank Executive Directors be invited to adopt Annex C to this Summary, Resolution No. [\_\_\_\_], *Global Environment Facility Trust Fund: Fourth Replenishment of Resources*, thereby authorizing the World Bank, as Trustee of the GEF Trust Fund, to manage the resources made available under the GEF-4.

**ANNEX A: PROGRAMMING DOCUMENT GEF-4**

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<sup>2</sup> The information in this annex was presented to the Replenishment meeting in document GEF/R.4/

**ANNEX B: POLICY RECOMMENDATIONS GEF-4 AGREED AS PART OF THE  
FOURTH REPLENISHMENT OF THE GEF TRUST FUND**

**ANNEX C: GLOBAL ENVIRONMENT FACILITY TRUST FUND:  
FOURTH REPLENISHMENT OF RESOURCES**

**DRAFT RESOLUTION**