



**JOINT SUMMARY OF THE CHAIRS
GEF COUNCIL MEETING
MAY 15-17, 2002**

OPENING OF THE MEETING

1. The meeting was opened by Mohamed T. El-Ashry, Chief Executive Officer/Chairperson of the Facility.

ELECTION OF A CHAIRPERSON

2. The Council elected Ambassador Tuiloma Neroni Slade, the Member representing Cook Islands, Fiji, Indonesia, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Papua New Guinea, Philippines, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu, as its elected Co-Chair.

ADOPTION OF THE AGENDA

3. The Council approved the provisional agenda set forth in document GEF/C.19/1.

REPORT ON REPLENISHMENT OF THE GEF TRUST FUND

4. The CEO reported to the Council on the deliberations of the meeting on the third replenishment of the GEF Trust Fund that was held on May 13-14, 2002, in Washington, D.C. He noted that the meeting had made good progress on a number of issues, especially the policy recommendations. However, it did not reach conclusion and closure on the total amount of the replenishment. Many donors felt that further efforts are needed to promote a substantial replenishment that would support the current level of financing for the existing focal areas while providing additional support for the new demands that have been placed on the GEF, particularly with regard to persistent organic pollutants (POPs) and land degradation, primarily desertification and deforestation.

5. Council Members expressed unanimous disappointment that the replenishment process has not yet reached a satisfactory conclusion. They noted the consequences of not concluding a successful replenishment in terms of its impacts on the GEF work program and the Conventions. They expressed strong encouragement for the replenishment process to work quickly towards a successful and substantial replenishment of the GEF Trust Fund, recognizing the global nature of its mandate, the proven effective performance of the GEF and the growing demand for GEF resources.

STAP

6. The Chair of STAP, Dr. Madhav Gadgil, reported on STAP's work program and the progress that had been made since the last Council meeting. Dr. Gadgil also presented document GEF/C.19/Inf.9, *Proposals by STAP for Improving STAP's Efficiency*.

7. The meeting welcomed the proposals for improving STAP's activities and took note that the follow-up to the proposals would be addressed under agenda item 10 on proposals for an action plan and timetable to respond to recommendations of the Second Overall Performance Study of the GEF.

8. Recognizing that the term of the present STAP would shortly expire, the Council expressed its sincere appreciation to all members of STAP for the important contribution that they had made to the work of the GEF. The Council expressed its special gratitude to Dr. Gadgil for his leadership and outstanding professionalism as the STAP Chair.

RELATIONS WITH CONVENTIONS

9. The Council heard statements from representatives from the UN Framework Convention on Climate Change, the Convention on Biological Diversity, the UN Convention to Combat Desertification, and the Stockholm Convention on Persistent Organic Pollutants.

DECISIONS OF THE COUNCIL

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

Decision on Agenda Item 5 *STAP*

11. The Council, having reviewed the *Proposal of the Executive Director of UNEP on the Composition of STAP III* (document GEF/C.19/3), approves the composition of STAP proposed by the Executive Director of UNEP on the basis of the recommendations put forward by the Search Committee. The Council fully supports the recommendation that Dr. Julia Carabia Lillo serve as Chair of STAP and Dr. Habiba Gitay serve as Vice Chair. The Council also approves, subject to the comments made at the meeting, the recommendations of the Search Committee regarding the process to be followed so as to achieve the goal of staggering the terms of STAP members.

12. In approving the proposed composition of the third STAP, it was agreed that the experts nominated under biodiversity and biosafety would function as one group and that the group will jointly address issues concerning biodiversity and biosafety.

13. The Council, having reviewed Document GEF/C.19/5, *Relations with Conventions*, takes note of the developments of relevance to the GEF within the various international agreements and welcomes the continuing collaboration between the GEF and the Conventions. More specifically, the Council:

- (a) requests the Secretariat to submit to the eighth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change *The First Decade of the GEF, Second Overall Performance Study*, as an input to the second review of the financial mechanism which is to be discussed at that meeting; and
- (b) agrees to amend the eligibility criteria for GEF's initial assistance for enabling activities in the context of the *Stockholm Convention on Persistent Organic Pollutants* to include developing countries and countries with economies in transition that are party or signatory to the Convention.

14. The Council, having also reviewed document GEF/C.19/5/Add.1 which provides the Council with information on the decisions relevant to the GEF of the sixth meeting of the Conference of the Parties to the Convention on Biological Diversity, requests the Secretariat, in consultation with the Implementing Agencies, to take these decisions into account in the development of projects and programs in the biodiversity focal area and in its continuing collaboration with the Secretariat of the Convention.

Decision on Agenda Item 7 Administrative Arrangements for new Climate Change Funds

15. The Council, having reviewed Document GEF/C.19/6, *Arrangements for the Establishment of the New Climate Change Funds*, approves, subject to the comments made at the Council meeting, the arrangements proposed for the establishment of the new climate change funds. In this regard, the Council:

- (a) invites the World Bank to act as Trustee for the three new funds;
- (b) requests the Secretariat to mobilize resources for the funds based on an assessment of financing needs that takes into account the guidance approved by the Conference of the Parties to the UNFCCC; and
- (c) requests the Secretariat to inform the eighth session of the Conference of the Parties to the UNFCCC on the arrangements for the establishment of these funds.

Decision on Agenda Item 8

Work Program

16. The Council reviewed the proposed Work Program submitted to Council in document GEF/C.19/7 and approves it¹ subject to comments made during the Council meeting and additional comments that may be submitted to the Secretariat by May 31, 2002.

17. The Council finds that 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 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.

18. With respect to the endorsement of the *China: Fuel Cell Buses project*, the Council has no objection to its endorsement. It was agreed that an analysis of the implementation of projects involving financing of fuel cell buses would be presented to the Council annually.

Decision on Agenda Item 9

Overall structure, processes and procedures of the GEF

19. The Council reviewed document GEF/C.19/8, *Clarifying the Roles and Responsibilities of the GEF Entities*, and welcomes the collaboration among the GEF Secretariat and Implementing Agencies to strengthen their partnership with a view to improving the efficiency and effectiveness of the GEF and its responsiveness to its recipients and donors. The Council recognizes that as the number of conventions, focal areas and executing agencies increases, and as resources are constrained relative to the demand for GEF funding, coordination is more critical than ever within the GEF system. In this regard, the Council stressed the need for country ownership of GEF activities and the important role of the national focal points in ensuring such ownership.

20. The Council took note of the agreement among the GEF Secretariat and the Implementing Agencies concerning lead responsibilities for institutional roles and functions within the GEF. The Council requests the GEF Secretariat to amend the note to take into account future decisions on matters that would influence the matrix (such as the role of the executing agencies and the monitoring and evaluation unit) and to present the revised note to the Council for endorsement at its meeting in May 2003.

¹ One Council Member, in light of national legislation regarding its country's voting position for development projects financed by certain development institutions, did not support the project proposal, *Cuba: Strengthening the National System of Protected Areas*.

21. The Council, having reviewed document GEF/C.19/8/Add.1 concerning administrative arrangements to enhance the functional independence and effectiveness of the GEF Secretariat, fully supports the administrative arrangements and understandings presented in the paper.

Decision on Agenda Item 10

Preliminary Proposal for an Action Plan to Respond to the Recommendations of the Second Overall Performance Study of the GEF

22. The Council, having reviewed the document *Preliminary Action Plan* (GEF/C.19/9), takes note of the draft action plan to follow-up on the recommendations of the Second Overall Performance Study of the GEF, the Policy Recommendations to be agreed as part of the Replenishment Process and endorsed by the Council, and other related Council decisions. The Council requests the Secretariat to revise the draft action plan, taking into account comments made by the Council Members, as well as Council deliberations and decisions on matters that would affect the plan. The Council requests the Secretariat to present a revised action plan for its consideration and approval at its meeting in May 2003. Once the action plan is approved, the Secretariat is requested to report to each Council meeting on the implementation of the action plan.

Decision on Agenda Item 11

GEF Business Plan FY03-05

23. The Council, having reviewed *GEF Business Plan FY03-FY05*, GEF/C.19/10, welcomes the effort to develop a strategic plan. The Council recognizes that the business plan, like the preliminary action plan considered under agenda item 10, is linked to a number of issues currently under consideration by the Council as well as the replenishment process. The Council takes note of the business plan, including the proposed strategic priorities and the agency performance criteria, and requests that it be revised taking into account comments made by the Council Members together with Council deliberations and decisions at this meeting and the October 2002 meeting on matters that would affect the plan. The Council requests that the revised plan be submitted for its review and approval at the Council meeting in May 2003.

Decision on Agenda Item 12

GEF FY03 Corporate Budget

24. The Council reviewed document GEF/C.19/12, *GEF FY03 Corporate Budget*, and GEF/C.19/15, *Capacity and Organizational Efficiency Study of the GEF Secretariat*, and approves the proposed FY03 corporate budget of \$24.300 million, subject to the comments made during the Council meeting, comprising:

- (a) an amount of \$21.042 million for the resource requirements of the six GEF units (the three Implementing Agencies, GEF Secretariat; Trustee and the Scientific and Technical Advisory Panel) in the provision of corporate management services;

- (b) an amount of \$2.358 million to support the proposed special initiatives of (i) the Second GEF Assembly and (ii) and Strategic Collaboration and Framework for Capacity Building for the Global Environment;
- (c) an amount of \$0.9 million to cover the additional resources associated with the establishment of three new posts within the GEF Secretariat.

Decision on Agenda Item 13

Review of a Fee Based System

25. The Council, having reviewed document GEF/C.19/12, *Consultant's Report on an Independent Review of the Fee-Based System*, and taking note of the outcome, findings and recommendations of the review, requests the GEF Secretariat, in consultation with the Implementing and Executing Agencies, to prepare a revised paper and proposals for improving the fee structure, taking into account the concerns raised by the Members about the rising trend in administrative fees and other comments made during the Council meeting together with the findings and recommendations of the Consultant's Report and the Second Overall Performance Study, and to submit the report to the Council for its consideration at its meeting in October 2002.

26. The Council expresses its serious concern over the continuing rise of project management fees and agrees that this trend must be reversed. The Council expects that the fees for the next work program will be at a lower fee to grant ratio than those in the current work program. The Council also expects that the proposals for revising the fee system that it will consider at its next meeting will lead to agreement on a system that will result in a lower level of fee to grant ratio.

27. The Council agrees to the proposed fees in the current work program but requests that all agencies use their best efforts to try to reduce the fees for these projects.

Decision on Agenda Item 14

Second GEF Assembly

28. The Council, having reviewed document GEF/C.19/13, *Second GEF Assembly*,

- (a) welcomes the arrangements that are being made for the Assembly, and reiterates its appreciation to the Government of China for hosting the Assembly in Beijing in October 2002;
- (b) requests the CEO to notify GEF participating governments about the Assembly. Such notification should be sent to the political focal point of each GEF Participant with a request that the notification be transmitted to the Head of Government so that he/she may designate a minister or other high-level representative to attend the Assembly;
- (c) recommends to the Assembly that paragraph 5 of the Rules of Procedure be amended as proposed in the document;
- (d) approves the procedures for accreditation of NGOs to the GEF Assembly; and

(e) approves the provisional agenda and proposed list of documents for the Assembly.

29. The Council requests the GEF Secretariat to notify all GEF Participants of these proposed amendments as early as possible so as to allow sufficient time for their consideration prior to the Assembly.

30. The Council, having reviewed document GEF/C.19/14, *Proposed Amendments to the GEF Instrument*, agrees with the proposed amendments annexed to this joint summary and recommends to the Assembly that it approves them at its second meeting to be convened in Beijing, China, from October 16-18, 2002. Upon approval of the amendments, the Assembly should also invite the Implementing Agencies and the Trustee to adopt them as amendments to the Instrument in accordance with their respective rules and procedural requirements.

Decision on Agenda Item 15 Monitoring and evaluation

31. The Council takes note of the 2001 Project Performance Review and requests that a work program for the monitoring and evaluation activities of the GEF be presented annually to the Council for its review.

Decision on Agenda Item 16 Other business

32. The Council confirms the following constituency grouping: Cambodia, DPR of Korea, Lao (PDR), Malaysia, Mongolia, Myanmar, Thailand and Vietnam.

HIGHLIGHTS OF COUNCIL'S DISCUSSIONS

33. The following comments, understandings and clarification were made during the Council's discussions of its agenda items and related decision.

Agenda Item 5 STAP

34. With regard to the composition of STAP, the Council stressed that the STAP membership should include both scientific experts as well as experts with technical knowledge of project design and implementation. The Council emphasized the importance of gender and regional balance in the composition of STAP.

35. The Council noted that close cooperation among STAP, the Implementing Agencies and the GEF Secretariat was essential and welcomed the proposals of STAP to strengthen such cooperation.

36. The Council also underlined the importance of using local and regional experts in STAP project reviews.

37. The Council expressed a number of views concerning the proposals for the appointment and term of the Chair of STAP, and asked that these be considered in proposing follow-up to the STAP proposals. Proposals for follow-up should identify priorities for action together with a budget and timetable.

Agenda Item 6 Relations with Conventions

38. A Council Member noted that the standing of the guiding principles on invasive alien species that had been prepared during the sixth meeting of the Conference of the Parties to the Convention on Biological Diversity was in question and, therefore, the GEF should not provide assistance to implement these principles.

39. The Council welcomed efforts of the Conventions to identify synergies among them and noted the importance of taking synergies into account when developing GEF capacity building and other projects.

40. With regard to the Convention to Combat Desertification, the Council noted that the GEF, in designating land degradation, primarily desertification and deforestation as a GEF focal area as a means of enhancing GEF support for the successful implementation of the UN Convention to Combat Desertification, is acting consistent with its mandate and the provisions of the Convention. The Council also noted that since the GEF is to finance the incremental costs associated with achieving global environmental benefits, the GEF would need to work closely with the Global Mechanism established by the Convention in its efforts to assist developing countries to mobilize funding from bilateral and multilateral development agencies for the non-incremental costs of sustainable land management projects.

Agenda Item 7 Administrative Arrangements for new Climate Change Funds

41. The Secretariat was requested to provide more information on the procedures that would be followed to ensure that the administrative costs associated with each fund would be charged to that fund.
42. The Council noted that the Secretariat and Implementing Agencies need to give immediate attention to the issue of the incremental costs of adaptation activities.
43. The Council stressed that it should receive comprehensive and regular information on the use of the resources of the funds and the funds' management.
44. The Council noted the intention of the Secretariat to convene a meeting of donors, prior to the eighth session of the Conference of the Parties to the UNFCCC in October 2002, to solicit voluntary contributions to finance the activities called for in the initial guidance for the Least Developed Countries Fund.
45. In reviewing the arrangements for the two new convention funds and the Kyoto Protocol Adaptation Fund, the Council noted the following preliminary indications regarding funding:
 - (a) At COP 7, Belgium, on behalf of the European Community and its Member States, and also on behalf of Canada, Iceland, New Zealand, Norway and Switzerland, made the following statement concerning financing for climate change related activities: "We reaffirm our strong political commitment to climate change funding for developing countries. We are prepared to contribute US\$410 million, which is 450 million Euro, per year by 2005 with this level to be reviewed in 2008. Funding to be counted can include: contributions to GEF climate change related activities; bilateral and multilateral funding additional to current levels; funding for the special climate change funds, the Kyoto Protocol Adaptation Fund and the LDC Fund; and funding deriving from the share of proceeds of the clean development mechanism following entry into force of the Kyoto Protocol."
 - (b) Pending the establishment of the LDC Fund, the Government of Ireland deposited five hundred thousand Irish pounds in an interim holding Trust Fund established with the World Bank. It is expected that once the LDC Trust Fund is established, the Government of Ireland will request the Trustee to transfer these resources to the LDC Fund.
 - (c) At COP7, the Government of Canada announced its intention to contribute ten million Canadian Dollars to the LDC Trust Fund. Pending the establishment of the Fund, Canada deposited a first installment of 6.2 million Canadian dollars to an interim holding Trust Fund established by the World Bank. It is expected that once the LDC Trust

Fund is established, the Government of Canada will request the Trustee to transfer these resources to the LDC Fund

- (d) The United States reaffirmed its position at COP 6.5 and COP 7, where it noted that “the Conference recognized that all of its conclusions on funding issues were adopted in the context of moving forward on the Kyoto Protocol...Given the expanded Convention funding mandate, it is also recognized that the United States will not be expected to make financial contributions beyond its pre-existing commitments as set forth in the Framework Convention.”

Agenda item 8 Work Program

46. The Secretariat informed the Council that it would disseminate a draft policy paper on co-financing shortly after the present meeting for comment by the Members. The Secretariat would then revise the paper on the basis of the comments received and submit it to the Council at its meeting in October 2002 for approval.

47. The Council requested the Secretariat and Implementing Agencies to take steps towards consistency in the presentation of project proposals. The Council also requested that an Executive Summary be presented for each project proposal, including presentation of core project data, such as a summary of problem analysis, the aim of the project, a summary of project activities and envisaged results, key indicators for project success, compliance with provisions in operational programs and strategic priorities of the business plan, financing plan, including incremental cost and co-financing, institutional coordination, policy framework, sustainability and replicability and risk analysis. The GEF Secretariat was requested to report back to the Council on its agreement with the agencies to modify the presentation of project proposals.

48. The Council requested that project proposals include information on baselines, expected outputs and impact indicators. The impact indicators should indicate how each project contributes to the GEF's programmatic indicators.

49. The Council requested that it receive an annual report on implementation and lessons learned from projects involving new technologies or particularly complex projects, identified at the time the proposals are included in the work program. This will apply to the fuel cell buses projects.

Agenda Item 9 Overall structure, processes and procedures of the GEF

50. In reviewing the roles and responsibilities of the GEF institutional entities, the Council underlined the need for good collaboration and partnership among the entities.

51. The Council stressed the key role of countries and the responsibility of their operational focal points in ensuring country coordination and national ownership of GEF activities.

52. The GEF Secretariat was requested to keep the Council regularly informed of the implementation of the agreement on roles and its impact on improving GEF's efficiency.

53. In revising the matrix, consideration should be given to more fully recognizing the roles of other actors such as the national focal points, executing agencies, and NGOs.

54. The useful role that can be played by the country office of an Implementing Agency in working with the operational focal point at the country level was recognized. Nevertheless, it was noted that some countries had experienced difficulties in obtaining timely assistance from the country office.

55. With regard to the administrative arrangements to enhance the functional independence and effectiveness of the GEF Secretariat, it was clarified that the Instrument does provide that the Council may approve arrangements for direct access of executing agencies to GEF funds. Arrangements are already in place for executing agencies to have direct access to project preparation financing, and those arrangements can be amended to provide for expanded access. If the Council agrees to expand the access of the executing agencies, the Trustee and Secretariat will work with the executing agencies to finalize the arrangements for such expanded access.

Agenda Item 10 Preliminary Proposal for an Action Plan to Respond to the Recommendations of the Second Overall Performance Study of the GEF

56. The revised action plan should include indicators that would allow the Council to measure progress and to determine the impact of the follow-up actions. The revised action plan should also be more specific as to the schedule for implementation of the proposed actions.

57. Some Council Members expressed support for the OPS2 recommendation that "the Council should allocate special funding, administered by the Secretariat, to support the organization of regular in-country GEF portfolio review workshops, carried out by the national focal points with participation by the related convention focal points, Implementing Agencies and Executing Agencies."

Agenda Item 11 GEF Business Plan FY03-05

58. The Council recognized that the business plan was an evolving document that would need to be regularly reviewed.

59. The Secretariat was requested to prepare a document that defines and explains the indicators used in the business plan so that they may be better understood.

60. In revising the business plan, in addition to the specific textual amendments proposed by Council Members at the meeting and in writing, the Secretariat was invited to:

- (a) give more justification and explanation of the choice of strategic priorities and their relation to Convention guidance and Council decisions;

- (b) provide more concrete performance indicators, including performance indicators for the institutions involved;
- (c) consult with national focal points on developing country performance indicators;
- (d) include among the priorities and financial allocations dissemination of lessons learned and good practice;
- (e) include fair and equitable sharing of benefits and biosafety among the biodiversity priorities;
- (f) include in the climate change priorities the recommendations of STAP concerning the integration of non-technological solutions in the transport sector.

61. It was suggested that in streamlining the project cycle, standards for processing times be clearly indicated.

62. It was also suggested that recipient countries be requested to provide information on the position of their GEF focal point within the country, the composition of any country support team, and the most important conclusions of its national reports and communications to the conventions.

63. It was further suggested that the business plan identify activities that were a corporate priority, such as the small grants program and country dialogue workshops.

Agenda Item 12 GEF FY03 Corporate Budget

64. The Member from Japan objected to the proposed increase in staff in the Secretariat.

65. The Council requested the Secretariat to prepare a report on what has been done in following up the recommendations of the Capacity Development Initiative. In approving resources in the corporate budget for follow-up activities to the CDI, it was agreed that as of next year such activities should be financed through medium sized projects. It was also noted that resources for project preparation should be allocated using project modalities and not the corporate budget.

Agenda Item 13 Review of a Fee Based System

66. In order to better understand why fees are increasing, the Council requested the Secretariat to include in its report for the October 2002 meeting more complete information and an analysis of the trends and the fees with regard to types of projects, size of projects and focal areas.

Agenda Item 14 Second GEF Assembly

67. The Council welcomed the arrangements proposed for the organization of the Assembly, and encouraged all GEF Participants to be represented at the Assembly at the ministerial level.

68. Noting the significance of the Assembly and the unique opportunity that it presents to promote an increased awareness and understanding of the GEF and key global environmental challenges, the Secretariat was requested to make appropriate arrangements, on a case by case basis, to facilitate the participation of Ministers and their advisors in the Assembly meetings.

69. In considering the proposed amendments to the Instrument, it was confirmed that the GEF would continue to support land degradation, primarily desertification and deforestation activities as they relate to the other focal areas of the GEF. The Council also confirmed the importance of collaboration with the Global Mechanism of the Convention as referred to in paragraph 40 above.

Agenda Item 15 Monitoring and Evaluation

70. The Council underscored the importance of the work on indicators, particularly those related to impacts, and the need for their systematic use in project design and evaluation.

71. The importance of dissemination of lessons learned in order to promote replication was noted.

Agenda Item 16 Other Business

72. The Council welcomed Cambodia's participation in the GEF and in the constituency grouping with DPR of Korea, Lao (PDR), Malaysia, Mongolia, Myanmar, Thailand and Vietnam.

CLOSURE OF THE MEETING

73. The meeting was closed by the Chairs on May 17, 2002.

ANNEX: PROPOSED AMENDMENTS TO THE INSTRUMENT

- (1) Amend paragraph 2 by adding two new subparagraphs (e) and (f), which would read:

“(e) Land degradation, primarily desertification and deforestation; and

(f) Persistent organic pollutants.”

- (2) Revise the first sentence of paragraph 3 to read:

“The agreed incremental costs of activities to achieve global environmental benefits concerning chemicals management as they relate to the above focal areas shall be eligible for funding.”

- (3) Insert a new sentence before the penultimate sentence of paragraph 6, which would read:

“The GEF shall also be available to serve as an entity entrusted with the operation of the financial mechanism of the Stockholm Convention on Persistent Organic Pollutants.”

- (4) Amend the penultimate sentence of paragraph 6 to read:

“In such respects, the GEF shall function under the guidance of, and be accountable to, the Conferences of the Parties which shall decide on policies, program priorities and eligibility criteria for the purposes of the conventions.”

- (5) Amend paragraph 21(f) to read:

“Coordinate with the Secretariats of other relevant international bodies, in particular the Secretariats of the conventions referred to in paragraph 6 and the Secretariats of the Montreal Protocol on Substances that Deplete the Ozone Layer and its Multilateral Fund and the United Nations Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa .”