

**JOINT SUMMARY OF THE CHAIRS
GEF COUNCIL MEETING
NOVEMBER 17-19, 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 Ludovica Soderini, Council Member representing Italy, as its elected Co-Chair.

Adoption of the Agenda

3. The Council approved the provisional agenda set forth in document GEF/C.24/1.

STAP

4. Ms. Julia Carabias Lillo, the Chair of STAP, reported on the work of STAP and described in particular four reports that were submitted to the Council as information documents. The reports address: interlinkages among the focal areas, management and protection of groundwater and the need to mainstream groundwater, a source book on biodiversity and mainstreaming biodiversity. Ms. Carabias also discussed STAP's work program for 2005-2006.

Statements by Representatives of the Conventions

5. The Council heard statements from Ms. Joke Waller-Hunter, Executive Secretary of the UNFCCC, Mr. Arthur Nogueira, Principle Officer of the CBD, Mr. Hama Arba Diallo, Executive Secretary of the UNCCD, and Mr. John Whitelaw, Deputy Director, UNEP Chemicals and the Stockholm Convention, on the activities of their conventions of interest to the GEF.

DECISIONS OF THE COUNCIL

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

Agenda Item 6 Monitoring and Evaluation

Decision on Agenda Item 6(a) Process for Monitoring and Evaluation Relations with Council and Other Entities

The Council, having reviewed document GEF/ME/C.24/1, *Elements for a New GEF Monitoring and Evaluation Policy*, approves the elements as a basis for the development of a new monitoring and evaluation policy, subject to the comments made by the Council. The Council requests the GEF Office of Monitoring and Evaluation to prepare a new policy, in consultation

with the appropriate partners involved in monitoring and evaluation on various levels in the GEF, for review and approval by the Council.

The Council agreed, in particular, with proposals concerning:

- (a) interaction between the Council and the Office of Monitoring and Evaluation;
- (b) procedures for the follow-up of monitoring and evaluation reports through management responses;
- (c) procedures for preparing a management action record for reporting on follow-up to decisions of Council concerning monitoring and evaluation reports and management responses;
- (d) start of a process of consultation with appropriate GEF partners to develop proposals for a new division of labor on monitoring and evaluation instruments.

The Council noted that the annual Project Performance Report is to become an annual GEF Performance Report.

Decision on Agenda Item (b)(i) Action Plan to Respond to Recommendations of the Project Performance Review

The Council, having reviewed document GEF/ME/C.24/2, *Action Plan to Respond to the Recommendation of the 2003 Project Performance Report*, approves the plan, subject to comments made at the meeting. The Council requests the Secretariat and the Office of Monitoring and Evaluation, in collaboration with the Implementing and Executing Agencies, to implement the plan and report to the Council on an annual basis.

Decision on Agenda Item (b) (ii) Management Response to the Review of GEF's Engagement with the Private Sector

The Council takes note of document GEF/ME/C.24/6, *Management Response to the Review of GEF's Engagement with the Private Sector*, and requests the Secretariat to better articulate a private sector strategy, with the collaboration of the Implementing and Executing Agencies, and in consultation with private sector stakeholders. The strategy should be based on a strong analysis of the barriers to private sector participation in the GEF and means to overcome those barriers. The strategy should consider:

- (a) expectations of various partners in a project/program context to ensure that appropriate risk-sharing arrangements are established amongst the various partners;
- (b) roles of the Implementing and Executing Agencies with a view to defining the types of projects that are most appropriate to the capabilities and comparative advantages of each agency;
- (c) norms for identification and selection of private sector partners on a competitive and transparent basis, and criteria for rewarding performance.

The strategy should also include clear operational guidelines on the scope of collaboration with the private sector. In this regard, the Secretariat is also requested to work with the Trustee to develop clear guidelines on the use of guarantees and loans in GEF projects.

Decision on Agenda Item 6(c) Program Studies

The Council, having reviewed the *Executive Summaries of the Program Studies on Biodiversity, Climate Change and International Waters* (document GEF/ME/C.24/2), requests the OPS3 team to take the program studies (GEF/ME/C.24/Inf.1, Inf. 2 and Inf. 3) into consideration when preparing OPS3. Furthermore, Council requests the GEF Office of Monitoring and Evaluation to prepare a more extensive presentation of these studies for discussion at the June 2005 Council meeting, taking into consideration the discussions at this Council meeting and the management responses to the studies.

Decision on Agenda Item 6(d) OPS 3 Inception Report

The Council having reviewed the *OPS3 Final Inception Report* prepared by the OPS 3 Team (document GEF/ME/C.24/4), takes note of it and requests the team to take into account the suggestions and comments made during the meeting in preparing OPS3.

Decision on Agenda Item 6(e) Four Year Work Plan

The Council reviewed document GEF/ME/C.24/5, *Draft Four Year Rolling Work Plan and Budget*, and approves the principles and overall scope of the plan, subject to the comments made during the Council meeting. The Council requests the Office of Monitoring and Evaluation to present a more detailed four year rolling work plan and budget to the June 2005 Council meeting, recognizing the short time that was available to the newly appointed Director of the Office of Monitoring and Evaluation to prepare the document for this meeting.

To assist the Office of Monitoring and Evaluation in the implementation of its terms of reference, in particular the initiation of a consultative process and preparation for new activities, the Council approves a temporary and contingent supplement of US\$ 250,000 to the budget of the Office of Monitoring and Evaluation for FY05 only. The approval of additional resources is without prejudice to the Council decision on the detailed budget that the Office of Monitoring and Evaluation will present to the Council meeting in June 2005 for FY06 and beyond.

Decision on Agenda Item 7 Verification of Replenishment Targets

The Council, having reviewed document GEF/C.24/3, *Reporting on Performance Targets to be Achieved by Fall 2004*, and taking into account the verification provided by the Office of Monitoring and Evaluation, determines that the GEF has not achieved the performance measures as noted in footnote to Attachment 1 of the Agreement to the third replenishment of the GEF Trust Fund.

Decision on Agenda Item 8 Decision on the Fourth Replenishment of the GEF Trust Fund

The Council requests the Trustee of the GEF Trust Fund, in cooperation with the CEO/Chairman of the Facility, to initiate discussions on the replenishment of the GEF Trust Fund with the convening of a planning meeting for the negotiations of the fourth replenishment of the GEF Trust Fund to be held on early March 2005.

Decision on Agenda Item 9 Work Program

The Council reviewed the proposed work program submitted to Council in document GEF/C.234/5, — and approves it¹ subject to comments made during the Council meeting and additional comments that may be submitted to the Secretariat by ~~June~~December 43, 2004.

The Council finds that with the exception of:

- (a) China: PCB Management and Disposal Demonstration Project (World Bank),
- (b) Global: Building Capacity for Effective Participation in the Biosafety Clearing House (BCH), (UNEP),
- (c) Global: Development of National Biosafety Frameworks project (UNEP) and
- (d) South Africa: Wind Energy Programme (UNDP),

each project presented to it as part of the work program is or would be consistent with the Instrument and GEF policies and procedures and may be endorsed by the CEO for final approval by the Implementing or Executing 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.

With respect to the four projects listed above, the Council requests the Secretariat to arrange for Council Members to receive draft final project documents and transmit to the CEO within four weeks any concerns they may have prior to the CEO endorsing a 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.

With respect to the proposal for the Small Grants Program (SGP), the Council agrees to an increase in funding to USD47 million for the first year of GEF SGP OP3 (mid-February 2005 to mid-February 2006). The Council also agrees that:

- (a) the SGP monitoring and evaluation framework should begin to measure global environmental benefits as an urgent priority;

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: *Global: Land Degradation Assessment in Drylands (LADA)*(UNEP)

- (b) the increase in the ceiling from USD50,000 to USD150,000 for strategic projects in the SGP should be conducted on a pilot basis for one year and should be limited to five percent of the total allocation of grants for the year. If an evaluation finds that this increase has not adversely affected programs in SIDS and LDCs, this limit may be raised to ten percent in subsequent years;
- (c) decisions on the amount of resources for the second and third year of funding for SGP OP3 will be taken by the Council at a later date;
- (d) UNDP will prepare an information paper on SGP graduation issues for Council consideration.

With respect to the project *Slovak Republic: Global Programme to Demonstrate the Viability and Removal of Barriers that Impede Adoption and Successful Implementation of Available, Non Combustion Technologies for Destroying Persistent Organic Pollutants*, (UNDP/UNIDO), the Council takes note that the CEO will request UNDP and UNIDO to submit a revised project document to him for endorsement and that he will circulate the revised document to the Council prior to his endorsement.

Decision on Agenda Item 11 Institutional Relations

The Council reviewed document GEF/C.24/7, *Institutional Relations*, and welcomes the progress that has been made in the support of international environmental conventions and GEF collaboration with the UN Commission on Sustainable Development

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 guidance from the Conventions and GEF operational policies and procedures. The GEF Secretariat is requested to maintain its consultations with the Implementing Agencies, Executing 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.

Decision on Agenda Item 12 Resource Allocation Framework

The Council takes note of the document GEF/C.24/8, *GEF Resource Allocation Framework*, and is appreciative of the progress that has been made through its consultations on this issue.

The Council also takes note of the three motions which have been tabled by Council Members in accordance with paragraph 37 of the Rules of Procedure for the GEF Council with a view to facilitating a final decision on this issue at the Council meeting in June 2005. The three motions are annexed to this summary.

The Council requests the Secretariat to continue its work on the development of data and indicators necessary for the implementation of a resource allocation framework.

Decision on Agenda Item 13

Business Plan

The Council, having reviewed the *GEF Business Plan FY05-06*, document GEF/C.24/9/Rev.1, takes note of the information on the performance in FY03-04 and the strategy for managing the pipeline of projects for the remainder of GEF-3 and into GEF-4.

Decision on Agenda Item 14

Amendments to the Instrument

The Council, having reviewed document GEF/C.24/10, *Proposed Amendments to the Instrument*, agrees to recommend to the third GEF Assembly the following amendments to the *Instrument of the Establishment of the Restructured Global Environment Facility*:

Paragraph 13 of the Instrument should be amended to read:

The Assembly shall consist of Representatives of all Participants. Each Participant may appoint one Representative and one Alternate to the Assembly in such manner as it may determine. Each Representative and each Alternate shall serve until replaced. The Assembly shall be convened after the conclusion of negotiations on each replenishment of the GEF Trust Fund, or at such other frequency as the Council may decide, at a location agreed by the Council. The Assembly shall elect its Chairperson from among the Representatives.

Paragraph 17 of the Instrument should be amended to read:

The Council shall meet semi-annually or as frequently as necessary to enable it to discharge its responsibilities. The Council shall meet at the seat of the Secretariat unless the Council decides otherwise. Two-thirds of the Members of the Council shall constitute a quorum.

The Secretariat is requested to submit these recommendations to the third GEF Assembly for approval.

Decision on Agenda Item 16

Climate Change Funds

The Council, having reviewed document GEF/C.24/12, *Programming to Implement the Guidance for the Special Climate Change Fund adopted by the Conference of the Parties to the United Nations Framework Convention on Climate Change at its Ninth Session*, endorses the programming document as an operational basis for funding of activities under the SCCF. The Council welcomes the Summary of the meeting of potential donors for the SCCF (document GEF/C.24/CRP.2) and expresses its appreciation for the initial pledges that have been made to the SCCF. The Council requests the Secretariat to make the documents available for Parties participating in the tenth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change to be convened in Buenos Aires in December 2004. The Secretariat is also requested to make available to the tenth session of the UNFCCC COP the information documents before the Council concerning the Least Developed Countries Fund.

The Council requests the Secretariat to keep it informed of progress made in implementing the programs of the SCCF and to bring to its attention adjustments that may be required as experience is gained in financing on-the-ground projects.

Decision on Agenda Item 17

Recommendations of the Working Group on Medium-sized Projects

The Council reviewed document GEF/C.24/13, *Proposals for Enhancing GEF Medium-sized Projects*, and approves the following as means to expedite and streamline the processing of medium-sized projects.

The Council agrees to increase the ceiling of GEF financing for PDF-A's to develop medium sized projects to \$50,000. This increase should apply to PDF-As prepared by both Implementing and Executing Agencies acting within their agreed scope of activities.

The Council approves the establishment of a GEF Corporate Program on Smaller-Sized MSPs and a pilot country-level program in Argentina to experiment with the implementation of smaller-sized MSPs through a decentralized country mechanism on the following understandings:

- (a) both Implementing and Executing Agencies (within their agreed GEF scope of activities) will be eligible for managing projects under both pilot programs;
- (b) upon completion of the pilots, an evaluation of each will be provided to the Council;
- (c) consistent with the current MSP procedures, the Council will continue to receive, for comment, project documents of the MSPs to be financed under these programs;
- (d) the size of the global program will be limited to \$10 million for a two year period
- (e) the technical review committee for the global program will consist of the GEF Secretariat, members of the STAP roster, and interested Implementing and Executing Agencies acting in an advisory capacity. Other organizations and individuals that have no conflict of interest in terms of receiving GEF grants may also participate in the review committee;
- (f) the GEF Secretariat will reconsider the administrative cost of the global program and report back to the Council on the administrative expenses necessary to manage the program in its corporate budget to be reviewed in

June 2005. It is expected that the project fees for projects under both programs will be less than those for regular MSPs, and this should be reflected in the fee policy paper that is to be considered by the Council. In proposing a reduced fee, appropriate account will be taken of the reduced services that will be expected from the Implementing and Executing Agencies in supporting the project proponents in project development and reviews

- (g) no further country-based pilot programs will be presented to the Council before there is a Council approved policy on their use, including criteria for the selection of countries;
- (h) the technical review committee for the Argentina program will also include the GEF Secretariat, STAP roster experts, and representatives of other organizations or individual experts with no conflict of interest as GEF grants recipients. The technical review committee will be sufficiently broad based in its membership to ensure checks and balances and quality control.
- (i) it is understood that proposals for activities in Argentina will be addressed under the country pilot program and not the global program.

HIGHLIGHTS OF COUNCIL'S DISCUSSIONS

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

Agenda Item 6 Monitoring and Evaluation

The Council emphasized the importance that they assign to monitoring and evaluation, and they welcomed the strong start of the newly organized Office of Monitoring and Evaluation that is evident from the work prepared for the Council. The Council requested that sufficient time be provided during the Council meetings for a discussion on monitoring and evaluation reports and activities. In this respect, the Council requested the Director to keep its reports to the Council strategic and well focused with a view to bringing to the Council's attention priority issues concerning general oversight of GEF operations.

In supporting the general principles outlined in document, Council Members underscored that the Office of Monitoring and Evaluation should also consider in carrying out its work:

- (a) the principle of impartiality and independence,
- (b) need to avoid duplication,
- (c) timeliness of evaluations,
- (d) cost effectiveness of monitoring and evaluation activities,
- (e) providing appropriate recognition to local capacity and conditions, and
- (f) regional participation.

The Office of Monitoring and Evaluation was requested to ensure the involvement of all stakeholders, particularly recipient countries and national executing agencies, in its work. The Office should also involve other relevant institutions and agencies, particularly in its field work.

The GEF Secretariat and the Implementing and Executing Agencies were requested to cooperate fully with the Office of Monitoring and Evaluation so as to facilitate the work of the office.

The Council requested that the Office, in developing indicators, take into account the work that has been undertaken within the context of the multilateral environment conventions on indicators related to the objectives of the conventions.

Action Plan to respond to recommendations of the Project Performance Review

The Council requested that when action plans are prepared for Council consideration they include targets and proposed time frames in which targets should be achieved.

The Council strongly underscored the need to implement steps to reduce the time between approval of projects and disbursement of funds. GEF should strive for faster disbursement and less complexity. In seeking to identify the reasons behind delays in project preparation and

implementation, the Office of Monitoring and Evaluation is requested to distinguish between medium sized projects and full sized projects.

It was noted that in assessing sustainability, it was important to include other factors beyond the financial dimension.

Private Sector

A number of Council Members expressed the importance of addressing the barriers to private sector engagement in the GEF. The reduction of bureaucracy was also mentioned by a number of members as a hindrance to private sector participation in the GEF. In preparing the private sector strategy, the Secretariat should seek to simplify the access of the private sector to the GEF and should examine possible incentives to make collaboration with the GEF attractive for the private sector.

OPS 3 Inception Report

Consistent with the terms of reference for the OPS3, the Director of the Office of Monitoring and Evaluation is requested to work with the OPS3 team to ensure consistency and high quality in the field analyses to be undertaken by the team.

In preparing OPS3, the team should build upon the recommendations and lessons of other evaluations undertaken by the GEF and the Implementing Agencies. The team should also find opportunities for incorporating the work undertaken for other relevant evaluations, such as the evaluations prepared for the Montreal Protocol and the Convention on Biological Diversity.

The Council would like to be kept informed about the role and recommendations of the high level panel. One Council Member suggested that the Council be provided an opportunity to interact with the panel.

In undertaking field visits, the team should ensure that the experts involved in the visits have the appropriate knowledge and experience to interact with stakeholders in the field. Local authorities should be given sufficient time to prepare for field visits.

The Council requested an opportunity for an exchange with the OPS3 team on the interim report that is to be produced by the end of January. The Secretariat was requested to arrange for consultations to be held between the Council and the OPS3 team in early March.

Some Council Members noted the relationship between a resource allocation system and OPS3.

Bearing in mind the importance of a number of diverse audiences, the OPS3 team was requested to present quantitative, objective data in support of its findings.

The team should take into account the capacity of recipient countries in preparing its report.

The team was requested to assess the experience of smaller states, including LDCs and SIDS, in working with the GEF, and in this regard, the team was requested to consider adding a field visit to one South Pacific SIDS.

In reviewing the efficiency of the GEF structure, the OPS3 team was requested to include an analysis of financial flows and to take into consideration the experience of institutions that have had difficulty working with the GEF.

Four Year Work Plan

Council Members stressed the importance of including the following items in the work plan:

- (a) capacity building,
- (b) knowledge management,
- (c) review of the project cycle,
- (d) country portfolio assessments, and
- (e) impact evaluations.

Clarification was given on the request for a contingent budget increase for commencement of the consultative process with the relevant stakeholders and further preliminary work on knowledge management, country portfolio assessment and impact evaluations.

Agenda Item 9 Work Program

In reviewing the proposed work program the Council highlighted the following issues:

- (a) with respect to the funding request to expand the biosafety clearinghouse project, one Council Member requested an evaluation of the experience in working in the fifty countries for which funding had already been approved before moving forward with additional countries;
- (b) the Office of Monitoring and Evaluation was requested to undertake an evaluation of the activities financed under the initial strategy approved by the Council for assisting countries to prepare for the entry into force of the Cartagena Protocol;
- (c) one Council Member stressed the importance of highlighting focal area linkages in project activities as well as in the analysis of projects;
- (d) the GEF Secretariat was requested to articulate clearly the approval process for work program submissions and include these procedures in the GEF project cycle and as part of the orientation for new Council Members;
- (e) some Council Members noted the need for a more elaborated strategy on POPs and new technologies and another Member stressed the need for capacity building activities in keeping with the emphasis placed on capacity building during discussions under the Stockholm Convention;

(f) consideration of the project for an Argentina Decentralized GEF Medium-sized Grants Programme (World Bank/UNDP/UNEP) was deferred until discussion on the Medium Sized Projects paper;

(g) Council Members requested Implementing Agencies to ensure full consultation with recipient governments in any processes that they may have for consideration of cancellation of a GEF project;

(h) the GEF Secretariat and Implementing and Executing Agencies were requested to screen project proposals carefully to ensure that they do not include sole source contracts;

(i) strong support was expressed for the expansion of the GEF Small Grants Program and there was recognition of the role of the SGP in the development of country driven projects.

Agenda Item 11

Institutional Relations

The Council welcomed the matrix highlighting the GEF's response to guidance of the seventh meeting of the CBD COP and invited the Secretariat to prepare similar matrixes for the other focal areas in future reports informing the Council of COP guidance.

In implementing guidance, it was suggested that the GEF take into account the role that regional organizations could play in coordinating their members.

It was suggested that the GEF should focus primarily on financing on-the-ground project activities in countries as opposed to studies.

The GEF Secretariat was requested to inform the UNEP High-level Open-ended Intergovernmental Working Group on an Intergovernmental Strategic Plan for Technology Support and Capacity-building of the capacity building activities being carried out under the GEF with a view to encouraging the UNEP process to promote complementarity and avoid duplication.

The Council invited the GEF Secretariat to encourage the conventions to enhance their work on interlinkages and synergies between the multilateral environmental agreements and to work with the GEF in this regard. The GEF Secretariat was also requested to provide the Council with information on the role of national focal points in promoting synergies between conventions and focal areas.

The Council invited the Montreal Protocol to engage the GEF and its Implementing and Executing Agencies on the efficiency and effectiveness of their respective programs.

The Council requested the Secretariat to circulate to the Council by the end of March a draft of the memorandum of understanding describing arrangements to facilitate collaboration between the GEF and the UNCCD that it is preparing in consultation with the Executive Secretary of the Convention and the Managing Director of the Global Mechanism so that Council Members may

provide comments to the Secretariat in advance of a proposed MOU being submitted to the Council for its review at the June 2005 Council meeting.

Agenda Item 12 Resource Allocation Framework

The Council underscored the good progress that had been made in advancing the Council's understanding of different perspectives and issues related to the resource allocation framework through the consultations that had been carried out during the meeting. In this regard, the Council requested the Secretariat to facilitate further Council consultations on the resource allocation framework in early March.

The Council recognized the necessity of reaching a decision on a resource allocation framework at its next meeting and express its strong desire to arrive at a consensus decision in June.

Agenda Item 13 Business Plan

The Council supported the prudent management of the pipeline and work program as noted in the business plan.

The Council confirmed that consultations with recipient countries are a very important element of pipeline management. Several Council Members noted the importance of recognizing the planning cycles of the recipient countries.

Several Council Members expressed their concern regarding reallocation of resources among the focal areas. It was confirmed that any reallocation should only occur in a limited manner and should not exceed up to five percent of any focal area.

Agenda Item 16 Climate Change Funds

The Council noted the separation between the administration and activities of the GEF Trust Fund and the SCCF, and it confirmed that the operational principles that had been developed to reflect the specific characteristics of the SCCF would only apply to GEF activities financed under the SCCF.

Agenda Item 17 Recommendations of the Working Group on Medium-sized Projects

The Council welcomed the recommendations of the medium-sized projects working group, and a number of Council Members expressed strong support for many of its recommendations. It was acknowledged that the recommendations of the Working Group should help to reduce delays in the development and implementation of medium size projects.

The Secretariat was requested to provide the Council with additional information on steps that have been taken by the GEF Secretariat and Implementing and Executing Agencies to address the action plan that was prepared by the working group and submitted to the Council at its last meeting.

A number of Council Members stressed the importance of ensuring national ownership of projects and indicated that the time involved in undertaking adequate in-country consultations should be fully taken into account in project preparation.

Agenda Item 17 Other business

The Council deferred its consideration of agenda item 10 on land degradation and agenda item 15 on the process for selecting the CEO/Chairman of the Facility. The Council is invited to submit written comments to the GEF Secretariat on the documents that were prepared for the agenda items by the end of February. The Secretariat is requested to post all comments received on the GEF website. Council Members are also invited to submit further reflections on the comments posted on the website by the end of March to assist the Secretariat in revising the documents on the basis of the comments prior to the June Council meeting.

Closure of the Meeting

The Chairs closed the meeting on November 19, 2004.