



Global Environment Facility

July 2, 2009

HIGHLIGHTS OF THE COUNCIL'S DISCUSSIONS GEF COUNCIL MEETING JUNE 22-24, 2009

1. The following is a record prepared by the Secretariat of comments, understandings and clarifications of certain points made by Council Members during discussions of agenda items and related decisions. The Joint Summary of the Chairs records the decisions agreed by the Council. These points are supplemental to the Joint Summary.

Agenda Item 5 Relations with the Conventions

2. A number of Council Members called for a strong replenishment for land degradation, in particular, and others expressed support for GEF work in chemicals.
3. It was noted that the Relations with Conventions document did not reflect information on the outcomes of the very recent chemicals meetings of relevance to the GEF, notably the decision of the 4th meeting of the Conference of the Parties to the Stockholm Convention to add nine new chemicals under its control, and the resolution of the 2nd session of the International Conference on Chemicals Management that "urges the GEF... to consider expanding its activities related to the sound management of chemicals to facilitate SAICM implementation...."
4. One Member requested that the section of the document about the Adaptation Fund Board be updated to reflect that two offers to confer legal capacity and to host the Board have been received from Germany and Barbados. The Secretariat had explained in a presentation on the Adaptation Fund that both offers are under consideration by a working group that will present a recommendation to the Board at its 7th session.

Agenda Item 6 Report by the Chair of the Scientific and Technical Advisory Panel

5. The STAP Chair made a statement on the work of STAP.
6. Some Members raised concerns and asked for further clarification about STAP's second recommendation that mitigation projects incorporate climate adaptation measures. The STAP Chair clarified that it was primarily an issue of needing to increase the climate resilience of GEF investments by considering the likely impacts of climate variability and changes in project

design. Members cautioned that mitigation and adaptation projects should remain separate but agreed that, where desirable, synergies be explored in line with IPCC recommendations.

7. In a discussion about a possible STAP science conference, Members stressed the need for STAP to take into account the GEF's communication objectives, avoid duplicating other conferences and specify the relevance to the GEF's country science needs. In response the STAP Chair cited the need to obtain early warning for GEF consideration of major threats and gave an example of ocean acidification. He assured the meeting that a proposal would be prepared for the next Council meeting on a small, well-focused addition to the regular Panel meetings, but which took up opportunities to connect to science dialogues at the regional level including through the Country Support Program.

8. On implementation science, the STAP Chair clarified that its purpose is to build measures into the design of selected projects to increase their likely impact, and does not refer to research or data collection; forthcoming STAP guidance will precisely define the approach.

9. In connection with STAP's advice to the GEF regarding the RAF/STAR, Members supported STAP's proposal to work on developing criteria for advising on the use of Global and Regional Exclusion funds and discussed STAP's recommendation that delivery of global environmental benefits remains the primary criterion in project selection. When Members stressed the need to connect support for global environmental benefits to local needs, the STAP Chairperson acknowledged the importance of both and explained that the recommendation was to note the importance of enhancing global benefits wherever possible.

10. Members appreciated the work of the STAP on strengthening the scientific basis of projects. On the question of the balance between STAP's work on proactive strategic and reactive project cycle advice, Members requested STAP to continue using both modalities.

Agenda Item 11 GEF Agency Fiduciary Standards

11. Members commended the progress made on fiduciary standards and expressed appreciation for the work that had gone into the report. Many Members were pleased with the process for assessing fiduciary standards and supported allowing for progressive improvement in meeting the minimum standards.

12. Members stressed the importance of ensuring that the GEF adhere to strong fiduciary standards and that there be consequences imposed for a failure to meet those standards.

Agenda Item 12 GEF-5 System for Transparent Allocation of Resources

13. Many Members congratulated the Secretariat for the improvements in functionality, transparency, and structural simplicity incorporated in the STAR model over its predecessor, the RAF. However, given that only three years had passed since the RAF was introduced, some Council Members preferred to minimize changes in the allocation system. Other Members stressed the value of the resource allocation system in enhancing country ownership of GEF

projects. Many Members expressed a preference for Option A, while others expressed a preference for Option C.

14. Most Members noted that the level of the replenishment would factor into the design of the resource allocation system and many called for a large enough replenishment level to allow for a well-functioning STAR.

15. All of the Members lauded the removal of the 50 percent rule, and almost all wanted to abolish group allocations.

16. While there was general agreement to exclude international waters from the STAR and many expressed support for other exclusions proposed by the document, Members also expressed concern that without a strong replenishment the individual country allocations would be smaller than those of the RAF. One Member asked for a fuller explanation of the rationale for the different categories of resources excluded from the system.

17. On the indicators, a few Members emphasized the importance of having solid, transparent indicators as a precondition of establishing a resource allocation system in a particular focal area. Regarding the GBI index for biodiversity, a Member suggested that the index be revised to include data on other aspects as well, such as forests, in addition to the Red List. The Secretariat explained that STAP will conclude its work on the biodiversity indicator in July, which could serve as guidance for the indicator review. A few Members stated they would like to see more work done on the chemicals indicators.

18. Some Members highlighted the importance of using a vulnerability index, while others questioned its use, and a few suggested considering a socio-economic rather than an environmental vulnerability index.

19. Several Members stressed the importance of basing funding levels on performance; others asserted that global environmental benefits should be the over-arching measure.

20. The topic of countries' eligibility to receive funds elicited several views. Some Members were unclear as to which countries were regarded as active and inactive and asked for clarification on this.

21. One Member asked the Secretariat to show in its next paper what would be the minimum replenishment level necessary to make it sensible to extend the resource allocation system to additional focal areas; other Members noted that without a high replenishment level, Option C might provide the needed flexibility.

22. Members expressed a variety of views regarding funds allocation. A few expressed the importance of sovereignty and thought it best to allow countries to determine how funds be spent across focal areas. They also thought that allowing self-determination would result in greater ownership in sustainability initiatives.

23. The need for a mechanism to ensure that overall programming targets for the different focal areas would be met was generally acknowledged, and most Members agreed to the notion of applying floors, or minima, to funding levels. Such floors would ensure that small countries

could develop GEF-5 projects. One Member stated that having “caps” in GEF’s resource allocation system would not be consistent with GEF’s goal of maximizing global environment benefits.

24. Going forward, a few Members suggested the convening intersessionally of an ad hoc working committee to provide further guidance on improving STAR.

Agenda Item 13 Approval of MoU between GEF Council and Kyoto Protocol CMP on Secretariat Services for Adaptation Fund Board

25. One Member requested the GEF Secretariat to coordinate with the Adaptation Fund Secretariat in order to ensure a more efficient use of Adaptation Fund resources. The GEF Secretariat explained that both the GEF Council and the Adaptation Fund Board were scrutinizing the staff work provided to the Adaptation Fund Secretariat to ensure against any cross subsidization in either direction, taking care to be as fair as possible on both sides.

26. Another Member recalled the recommendation approved by the SBI at its last session to initiate a review of all matters relating to the Adaptation Fund on the basis of submissions submitted by March 2010, to be taken up at the CMP-6 (December 2010). He suggested that the Council engage in that process.

Agenda Item 14 Reallocation of Remaining GEF-4 Resources

27. Several Members expressed concern over the delayed payment of pledged contributions to GEF-4 from some donors and emphasized that timely contributions are essential for the effectiveness of the GEF.

28. A few Members requested explanations for the prioritization of the Development Market Place activities and the Mediterranean IW Program. Some Members requested assurance that the reduced funding in ODS would be sufficient to cover countries’ obligations under the Montreal Protocol. The low level of programming on capacity building was also highlighted.

29. The CEO noted the need to distinguish between immediate cash flow issues and potential programming during the remainder of GEF-4, and stressed the precautionary approach applied by the Secretariat in managing the actual cash flow. The CEO further explained that: i) the reduction of the ODS programming is covered by South Africa’s cancellation of one major project; ii) the Mediterranean Program had been ready for presentation to the Council since November 2008, but cash flow considerations had prompted a decision to postpone its inclusion in the work program at that time; and iii) 70% of all GEF-4 projects have strong elements of capacity building, whereas the dedicated funding window for capacity building projects had failed to attract good project proposals. The CEO agreed that the Market Place initiative could have been financed by SCCF if funding there had been sufficient.

Agenda Item 15 Work Program

30. Members congratulated the Secretariat for a solid work program. In particular, the increase of projects under programmatic approaches, which were viewed to have taken into account many concerns that the countries had, such as their priorities and concerns over co-financing, etc. Overall, the programmatic approach should be maintained and strengthened, and Members expressed the hope that all PIFs under programmatic approaches receive funding.

31. Topics discussed in relation to this work program included concerns over the average size of the projects. One Member observed a declining trend in the size of projects over time and raised concern over the transformative impact of smaller projects.

32. It was noted that some programmatic approaches contain multiple national level projects that address an issue which could better be resolved through a regional project. It was suggested that in the future, preparation of projects and programs take this consideration into account.

33. One Member requested the Secretariat to ensure that projects provide baseline data when they are presented for CEO endorsement. Another Member noted that PIFs should avoid an overly-ambitious design, and where implementation will extend beyond 6 years, a mid-term review is in order. Still another requested that projects show clear political support, especially when a project involves public finance.

Agenda Item 16 FY10 Business Plan and Corporate Budget

34. A number of Members expressed concern over the relatively large increases of the Trustee and Secretariat budgets, as opposed to the lower increases of STAP and the Evaluation Office. In particular, Members requested an explanation for the positions listed in Table 2, which appeared to be new positions for FY10. The CEO clarified that there are only two new positions requested for FY10: the Corporate Team-Sr. Finance & Database Officer and the Climate Team - Tech Transfer Coordinator.

35. On the other five positions: (a) the Sr. Private Sector Specialist was to be paid from the Earth Fund Project, but there were administrative problems in so doing and the charge has been made against the corporate budget; (b) the Sr. Policy Officer and Environmental Specialist were previously funded by the Danish government; the secondee arrangements ended, but the posts were still needed and were supported from the corporate budget; and (c) due to additional workloads of the Secretariat, three support-level positions were needed. The Secretariat's total budget request is net of the revenue from the Adaptation Fund Board representing 2 months per year for eight staff.

36. The Trustee was asked to respond to several questions: (a) its budget increase for FY10; (b) the number of full-time Trustee staff dedicated to GEF matters; (c) the existence of a separate legal adviser; and (d) if the money set aside in the Earth Fund project budget that currently resides with IFC could be transferred back to the GEF Secretariat to pay for the Sr. Private Sector Specialist that currently is charged to the Secretariat's budget. The Trustee provided the following response: (a) the budget increase is driven by investment management costs that are

directly linked to higher Trust Fund balances, and these higher balances result in higher levels of investment income for the GEF Trust Fund; (b) there are 3.5 full-time staff within the Trustee attending to GEF matters; (c) the Trustee has access to legal advisors who also work on other programs; and (d) regarding the money set aside in the Earth Fund project budget, funds could be moved from the IFC to the GEF Trust Fund, via the IBRD as Implementing Agency.

Agenda Item 17 GEF Trust Fund for Selected GEF-4 Programs

37. The paper provided three options for enhanced financial support to three GEF-4 Programs and outlined the features for each option. However, the CEO Chairperson opened the discussion by suggesting that the Council stick with the first option, the status quo, i.e. business-as-usual, instead of creating new trust funds, as the process is very complicated, and with the little time left for GEF-4, not cost-effective.

38. One Council Member suggested the corporate budget as the place to lay out all cost items related to cost recovery. Some Members encouraged the Secretariat to continue to develop a full cost recovery mechanism for the support provided to programmatic approaches in the GEF-5.

Agenda 18 Recommendations Concerning Certain Appointment, Reappointment and Performance Objectives Review Processes

39. Some Members praised the CEO for proposing such a performance process and expressed the hope that this example would be followed in other multilateral agencies.

40. While most Members were in support of forming a Council Committee for the selection and performance reviews of the CEO and GEF EO Director, clarification was sought regarding the formation of Council Committees as such rules are not part of the GEF Council Rules of Procedure. A Member raised concern whether creating such a Committee would increase the administrative cost of the Secretariat and was not supportive of establishing the Committee.

41. A few Members proposed that the Council receive full information on the results of the review processes. The CEO appreciated this point, but noted a competing need to respect the privacy rights of the individuals being evaluated. She agreed to review how other institutions handle this issue and to return to Council with a proposal for accommodating both concerns.

42. Many Members supported the idea of a merit-based pay increase linked to performance review. The CEO explained that all GEF staff could receive merit-based pay increases under regular World Bank staff rules. She and the EO Director, however, had, as a matter of principle, refused to submit to performance evaluations by the Bank. This had left both of them ineligible for merit-based pay increases.

43. In response to queries from a few Members, the Secretariat clarified that the Instrument would need to be amended by approval of the Assembly, and the amended Instrument approved by the Boards of the three Implementing Agencies, for the change in the CEO selection process to take effect.

Agenda Item 19 Organization of the Fourth GEF Assembly

44. The bicentenary of Argentina's independence will be on May 25, 2010, in the middle of the proposed GEF Assembly. The Secretariat explained that this issue was discussed during their constituency meeting two weeks ago, and all the necessary arrangements to facilitate the participation of the Argentinean authorities, despite the above mentioned date, will be undertaken.

45. The NGO representative mentioned that they are working with Uruguayan civil society and the Government of Uruguay in order to be effectively involved during the preparation and development of the Assembly.

Agenda Item 20 Other Business

46. The United States Council Member informed the Council that the final payment of their third installment for GEF-4 had been made. The Member also informed the Council that the U.S President had included \$6.5 million towards clearance of US arrears as part of his 2010 budget request.

47. A Member inquired as to why the Secretariat was not tracking GEF-4 coverage targets. The Secretariat clarified that such tracking was underway and would be reported when sufficient data was available to provide a basis for analysis.

48. The CEO introduced the main elements of the Secretariat documents being presented for discussions at the Replenishment Meeting scheduled for June 25-26, and encouraged Council Members to attend.

49. Several recipient Council Members called for a substantial increase in the replenishment, and suggested that reforms be directed to ensure that GEF programs and projects are country-owned and country-driven. Several Members called for increased focus on adaptation, sustainable management of forests and linkages to sustainable development.

50. Many Members expressed strong interest in the proposed pilot on direct access as they saw it as enhancing country ownership. Moreover, they called for further refinement of the programmatic approach and streamlining of the project cycle.