

June 11, 2012

---

**HIGHLIGHTS OF THE COUNCIL'S DISCUSSIONS  
GEF COUNCIL MEETING  
JUNE 5 - 7, 2012**

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

*Agenda Item 5 Relations with the Conventions*

2. Two Council Members highlighted the need for improved communications on the Nagoya Protocol Implementation Fund (NPIF) in order for recipient countries to improve their understanding of how the Fund's resources can be utilized and used for such purposes. One Council Member recalled the need for more capacity building for focal points.

3. The Secretariat explained to Council that communication on these issues were carried out through means of Constituency meetings, Expanded Constituency meetings, and the daily work of the Country Relations' officers. The Secretariat informed the Council that it will strengthen further the communication efforts with interested recipient countries on NPIF opportunities.

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

4. The Council welcomed the presentation by the STAP Chairperson and expressed interest in, and support for the work being done.

5. The STAP Chairperson noted the significant increase in the size and complexity of GEF work programs and the impact on the ability of STAP to deliver its mandate. The STAP Chairperson also reported on recent CO2 readings exceeding 400 ppm, implications for global ecosystems, and considerations on how the GEF program could become even more transformational in addressing this challenge.

6. Questions from Council Members included requests for examples of large-scale ecosystem restoration initiatives including the global commons such as the high seas, how STAP is contributing to addressing climate resilience in the GEF portfolio, and also, how STAP is collaborating with the Evaluation Office on assessing impact and quality at entry of projects.

7. The STAP Chairperson responded that numerous opportunities exist for terrestrial and coastal ecosystem restoration – project 4834 on restoration of the Brazilian Atlantic forest is an excellent example of this. Regarding resilience, the Council was informed of how STAP has developed a screening tool to assess climate risk at the PIF stage.

8. The STAP Chairperson informed Council that it was working closely with the Evaluation Office to strengthen its assessment of quality-at-entry and program impact. It also welcomed and looked forward to greater collaboration with the scientific Members of the GEF civil society network.

*Agenda Item 7*

*Annual Performance Report 2011 and Management Response*

9. Several Council Members welcomed the recommendation for enhanced collaboration between GEF Agencies and operational focal points on Monitoring & Evaluation (M&E) and expressed a desire for increased capacity building in this area. The GEF EO Director mentioned several initiatives in the Evaluation Office to support capacity in recipient countries, such as undertaking evaluations with local evaluators. The Secretariat indicated that the Extended Constituency Workshops were being used to provide learning opportunities to the Operational Focal Points, with involvement of the Evaluation Office. A results-based management training has been implemented and feedback will be available this year as to its results.

10. Several Council Members requested a clarification on the definition of co-financing and suggested that a consensus should be reached between all stakeholders on this definition. The GEF EO Director stated that Council approved a definition in 2003 and that the GEF has a great variety in kinds of co-financing. He further mentioned that OPS5 will report on co-financing issues and may shed further light on how to proceed.

11. One Council Member suggested that the Management Action Records reporting be presented in the form of a table for future APRs. The GEF EO Director replied that it had been presented in this form in the past and that the next APR would include such a table.

12. Several Council Members requested a better understanding of the relationship between "quality at entry" of GEF projects and "quality at exit", i.e. relationship to outcome achievement. The GEF EO Director promised a further look into this in OPS5.

*Agenda Item 8*

*Annual Country Portfolio Evaluation Report 2012 and Management Response*

13. Two Council Members expressed support for more flexible arrangements for Small Island Developing States (SIDS) if this would not lead to a lower quality of implementation. The GEF EO Director answered as an example that SIDS often face a less competitive procurement context, which can be taken into account in application of procedures without lowering standards.

14. One Council Member asked whether there would be trade-offs if multifocal area projects were not to report on all relevant focal area indicators. The GEF EO Director indicated that many

multifocal area projects do not have the same depth of involvement in focal areas as single focal area projects and thus monitoring requirements could be reduced.

15. One Council Member expressed concerns about the difficulties noted with promoting replication and sustainability and asked for further clarification. The GEF EO Director informed the Council that the Evaluation Office assesses progress from outcome to impact of GEF projects with the Review of Outcomes to Impacts (ROtI) methodology to understand why replication efforts succeed or fail. This is not necessarily linked to the project itself, but can be due to a changing legislative framework and/or available capacity or due to other reasons.

*Agenda Item 9                      Terms of Reference and Budget for the Fifth Overall Performance Study of the GEF*

16. Several Council Members showed appreciation for the timing of the first report that would inform the replenishment processes at an earlier stage than OPS4 did.

17. One Council Member inquired about further analysis of best practices of tracking tools used for multifocal area projects. The Council Member further suggested a review of the tool developed by STAP to analyze cross-cutting issues such as climate change adaptation and mitigation to see if it is applicable and relevant. The GEF EO Director responded that this would be looked into by OPS5 in particular through inputs from the evaluation undertaken by the Evaluation Office of the Focal Area Strategies.

18. One Council Member, supported by several other Council Members, expressed disappointment with regards to the performance of donors and the implementation of pledges and requested inclusion in OPS5 a review of available options to ensure that donors meet their obligations.

19. One Council Member suggested that the number of participants in the Quality Review Panel be reduced to two. The GEF EO Director promised to discuss this further with the Council Member.

20. One Council Member expressed concern about the very broad audience of the report and requested that the lessons and main conclusions be thought through more carefully and explained in a manner that is easy to comprehend and further present it to authorities. The GEF EO Director took note of this and assured that conclusions and recommendations will be clearly stated.

21. The NGO Network suggested that OPS5 evaluate the involvement of civil society organizations in GEF throughout its history; not just for GEF-4 and GEF-5, as the terms of reference seem to indicate. Furthermore, the effects of STAR and NPFE should be evaluated as well. The EO Director stated that the terms of reference refer to evaluative evidence gathered during GEF-4 and GEF-5, which goes back into earlier GEF replenishment periods. Furthermore, he indicated that the mid-term evaluations of STAR and NPFE will include a look at the involvement of civil society organizations.

*Agenda Item 10      Work Program and Budget of the GEF Evaluation Office*

22. Two Council Members requested clarification on whether the upcoming proposal for a shift from the multi-annual to the annual budget would maintain overall budget neutrality or would lead to a proposal for an increase in funding. The GEF EO Director confirmed that this proposal would be neutral in budgetary terms.

*Agenda Item 11      Broadening the GEF Partnership: Clarification of Responsibilities*

24. The Council welcomed the presentation by the Trustee, appreciated the clarity provided by the document on the roles and responsibilities of the key actors in the GEF, and approved the recommendations put forward in the paper. Several Council Members expressed support for equal treatment between existing agencies and new project agencies.

25. On the issue of misuse of funds, several Council Members requested that GEF partner agencies should have policies and procedures comparable to those of the World Bank to allow for sufficient security of funds and accountability. The World Bank indicated its willingness to share information on policies and procedures to address misuse of funds in Bank-financed projects.

26. One Council Member questioned whether there was any potential conflict of interest for the World Bank, as Trustee with respect to competing with new GEF Project Agencies for GEF Funding. The Trustee assured the Council Member that there is no conflict of interest, given that the Trustee is not involved in the accreditation decisions for GEF Project Entities and that the Trustee plays no role in GEF funding decisions, which are the responsibility of the Council. One Council Member indicated that it will provide written inquiries from their constituencies' legal team addressing issues such as audit processes and existing mechanisms to retrieve missing funds.

27. The CEO explained that in going forward, the Council has to decide if it wants to be informed on any misuse of funds as it is not a current requirement of the GEF Agencies to make reports on those funds and their recovery.

*Agenda Item 12      Annual Monitoring Report 2011: Part II*

28. The Council welcomed the improved AMR report and the progress that has been made to report on results and lessons learned. One Council Member suggested that the report be disseminated and made available on a public platform for sharing across GEF platforms and stakeholders.

29. One Council Member expressed support on the analysis of gender issues and requested that such information as well as other thematic areas of interest be reported on, annually. The Member also requested that in future reports the Secretariat provide a summary of the results.

30. Another Council Member requested further analysis on the data to provide some sense that the knowledge generated by GEF investments is having an impact on today's practices and on GEF-5. It was further requested that future AMRs reflect the results of initial replenishment targets.

31. Upon the Council's inquiries into learning targets, the Secretariat informed the Council that learning objectives and associated questions were developed during GEF-5 and that the information provided in the 2011 report is the first time these were utilized. At the end of GEF-5, the information from the 2011 report will be used as the baseline against which results will be measured. In addition, each focal area has developed a two-year work plan to achieve learning targets.

### *Agenda Item 13          Work Program*

32. The Council unanimously expressed its support and satisfaction with the robustness of the work program and congratulated the Secretariat, the donors, the countries, STAP and the GEF Agencies for a job well done.

33. Several Council Members expressed concern over the low level of projects approved under the IW focal area; noting that these represented less than 4% of the total work program. The Secretariat was requested to ensure a more robust programming under this focal area in order to ensure that the amount allocated under GEF-5 is assigned. It was noted that it would be a shame if the so-called "Tragedy of the Commons" were to be repeated in GEF allocations.

34. Some Council Members also noted the absence of projects within the SIDS constituency and expressed hope to see more support for SIDS projects in subsequent work programs. One Council Member commented on the reason for having few projects in the SIDS countries as due to the lack of good executing agencies.

35. The CEO clarified that not every work program can be fully balanced, in terms of geographical diversity, focal area, or resource allocations as submissions vary from work program to work program. Furthermore, the GEF is only halfway through its current replenishment cycle; at the end of the replenishment period, a better judgment can be made on whether there is a balance in the division of resources geographically or by focal area.

36. Several Council Members highlighted a number of outstanding and innovative projects and expressed their satisfaction regarding their inclusion in the work program. One Council Member welcomed the inclusion of the two public-private partnership programmatic approaches and suggested that as part of the Secretariat's review of individual projects under the programs, particular attention be paid to ensure that the projects meet the global environmental benefits, and adhere to GEF environmental and social safeguards.

37. Several Council Members representing the SIDS raised the issue of the increasing difficulties faced by SIDS in providing the co-financing required of their projects and asked if there could be some flexibility. They also requested a review of the Global Environmental Benefits Index in the STAR to strengthen the marine biodiversity index.

38. Several Council Members expressed their wish that the three regional projects on climate technology transfer submitted in the work program in view of the on-going negotiations under the framework of the UNFCCC, should be developed seeking complementarity when possible vis-à-vis with the Climate Technology Centre and Network (CTCN).

39. One Council Member requested the Secretariat to give more technical support for capacity building, particularly in the development of projects in Africa.

40. One Council Member expressed satisfaction on the number of multi-focal area projects in the work program.

41. The CSO representative provided analysis on the work program and expressed concern that there are projects that have not referenced CSO involvement and urged the Council that public involvement policy be more forcefully applied in GEF projects.

42. A Council Member requested clarification on how the GEF would have surpassed the overall GEF-5 program target in million tonnes of CO<sup>2</sup> equivalent with the climate mitigation projects presented in the work program. The CEO pointed out that the question was fully explained by paragraph 37 in the Work Program cover note.

43. Several Council Members, including the CSO representative, have indicated that they will provide written comments on some projects to the Secretariat for consideration by the Agencies.

#### *Agenda Item 14      Business Plan FY 13 – 14 and Budget, FY 13*

44. The Council welcomed the business plan and FY13 corporate budget and commended the Secretariat for proposing a flat budget (in nominal terms) for the second year. Many Council Members underscored the need for continued vigilance to ensure that corporate budget expenses during the FY12-15 remain within the GEF-5 allocation of \$120 million.

45. Two Council Members questioned the recent increases made in the Trustee's budget of 12% in FY12 and a further proposed 5% increase for FY13, citing that there was no convincing argument for these increases. The Trustee explained that the increases were due to investment management fees for a larger trust fund balance, higher costs audit costs, and the new non-core unit cost charge. One Council Member requested a more detailed explanation of this non-core unit cost and how these were not already covered in the Trustee's standard budget. The Council Member later stated that he was satisfied with the briefing provided by the Trustee.

46. One Council Member questioned the increase in the budget for STAP. The Secretariat explained that STAP was only requesting a 3%, inflationary increase, which meant the budget would be flat in real terms. This was deemed justified since the STAP's budget had been flat in real terms since 2008, whereas the Secretariat received a considerable increase in May 2010.

47. Several Council Members expressed appreciation to the GEF for co-hosting the interim secretariat for the Green Climate Fund (GCF), but some noted concern about the potential

burden of relevant expenses on the Secretariat. The Secretariat explained that it was requesting reimbursement of these expenses from the GCF and requested that donors contribute to the GCF trust fund so that the Secretariat's expenses could be reimbursed by end-June 2012.

48. In response to requests from several Council Members, the Trustee made a presentation on proposals for strengthening GEF systems contained in Council Document GEF/C.42/Inf.12, *Options for Strengthening GEF Systems: Addressing the Findings and Recommendations of the Independent Review of GEF Systems*. The Trustee expressed its preference for option 4 as all World Bank financial intermediary funds would be on one platform, there would be cost savings because of reduced data entry and the need for reconciliations. It would also reduce concerns expressed by auditors.

49. The Secretariat expressed a strong preference for option 3 because option 4 would result in a loss of management control of the Secretariat over the front-end, project related information system, currently embodied in the GEF's Project Management Information System. It would provide real time communication between PMIS and SAP. With the Trustee's proposed consolidated approach for all FIFs, the Secretariat would be unable to accommodate the requests from Council in an agile manner.

50. The Council requested the Trustee to clarify that the integration of current systems would not relinquish the Secretariat's control over design of the front-end system. It was further requested that the Trustee explain the benefits and costs of the two approaches. The Trustee responded that an integrated SAP system under option 4 would enable customization to enable the system to respond to Secretariat and Council needs, as well as upgrades. The Trustee explained that these costs could not be estimated immediately and would require further analysis.

51. Several Council members expressed support for Option 4 provided that the Secretariat maintains management control over the front end project information systems. Most Council Members expressed that the Option 4 appeared to yield more benefits, including reduction of audit risks and workload for the Trustee and Agencies. A Council Member questioned the impact of the integration of IT systems on the recipient countries as well as the new GEF Project Agencies. The Trustee answered that publicly accessible portals for country OFPs could be created.

#### *Agenda Item 15      Fee Structure for Agencies: Part I & Part II*

52. Several Council Members complimented efforts of the Fee Working Group on delivering a proposal to the Council.

53. Council Members were unanimous in their support for a decision to reduce the level of fees. Several Council Members cautioned against any move to reverse the decision made, at the November 2012 Council meeting as it could send a negative precedent and undermine Council authority.

54. Several Council Members indicated that while the proposed reduction was not sufficient enough, they were willing to support the tabled proposal as a compromise. A Council Member noted that while the proposed reduction may not be too significant, it sends a clear political

signal that the GEF network is focused on controlling costs.

55. Several Council Members requested further assurance that the reduction in fees would not adversely affect the quality of project implementation services provided by the Agencies.

56. Several Council Members supported the need for further streamlining of the GEF project cycle, and cost savings in implementation activities of Agencies. The Secretariat proposed a working group of 3 recipients and 3 donors to work on streamlining; and the Council Member from Columbia volunteered to participate in these efforts.

57. The Council welcomed the fee structure as proposed by the Fee Working Group outlined in the document and the commitments of the Agencies to implement the approved fee structure.

*Agenda Item 16            Secretariat Recommendations of Project Agencies for Accreditation*

58. One Council Member requested additional information on the status of application for the national agency in Uruguay and the Secretariat confirmed that the application had been withdrawn.

59. One Council Member welcomed suggestions on how to invest in capacity development for SIDS agencies to qualify to become GEF project agencies and possibly apply for accreditation at a future date. In addition, there was a request for donor countries to provide support for the SIDS agencies to meet fiduciary and co-financing requirements.

60. Several Council Members stressed the need for additional assessment of the three applicants that received scores lower than three for some of the value-added criteria. They iterated that the Council needed to ensure all standards were met by the applicants. It was further stressed that while it was not the intent to discourage applications, the approvals process was to be thorough and based strictly on technical merit and not political criteria.

61. One Council Member suggested that new agencies work in geographical areas where they have physical presence and experience. The CEO clarified that accredited national agencies are to implement GEF projects only within their national boundaries.

62. One Council Member requested an evaluation on the potential costs associated with opening a higher risk window for new agencies that could result in a risk of an inability to recuperate any misused funds.

63. Several Council Members requested the Secretariat to produce an information document to provide further details on the results of the Stage II of the accreditation process, especially with regards to the applicant institutions' capacity in financial management and compliance with safeguards. The Secretariat assured that the Council will be kept informed of the process, however, the CEO also noted a previous decision taken by Council that limited the Council's formal involvement to Stage I of the process only, leaving Stage II to the independent and external GEF Accreditation Panel. Also, the Secretariat further explained that the independent review of Stage II applications was important from the perspective of confidentiality

requirements related to the handling of sensitive information submitted by applicant agencies; an issue that the GEF Secretariat has always taken seriously.

64. The scores received by several applicants were debated by the Council with a few Members advocating for another review of the credentials of some agencies, suggesting that these agencies could provide new information to the Secretariat, for possible inclusion into Stage II of the accreditation process. It was expressed that at least 5 national agencies be accredited before regional banks and CSOs could be included. It was also requested that the criteria of assessment be revisited to allow for such agencies that have capacity but might not have environmental issues as their primary function.

65. The Secretariat responded with information that explained that the agencies that had received favorable scores were most compatible with the GEF and while some recommended agencies had scored lower than three in some criteria, all recommended agencies received above three in their overall scores, and that the Secretariat felt that the recommended agencies all added value to the GEF partnership. It was also explained that the agencies' capacity to implement GEF projects, rather than execute them, was a major factor in their being recommended to the Council.

66. One Council Member emphasized the importance of having more national agencies accredited as their inclusion would improve the capacity of countries, costs, efficiency and be an added value to the network.

67. Several Council Members expressed the need for a policy to be put in place to guide the accreditation process beyond the pilot stage to maintain the integrity of the process.

68. It was proposed that the second round of accreditation applications be accepted at the beginning of GEF-6. The Council further decided to postpone its consideration of a second round of accreditation application submissions until the November 2012 Council meeting to allow time to complete the assessment of the first round of Stage I and II applications.

69. One Council member asked if an applicant agency that was not recommended during this round could reapply for accreditation later, providing new information. The CEO stated that an agency could reapply as many times as they want as long as the application window was open.

70. It was agreed that, after receiving a written report from the GEF Accreditation Panel on the results of Stage II reviews, if a Council Member felt strongly about the results of an applicant in Stage II of the process, the Member could request a discussion by the Council.

71. The Secretariat proposed that UNDP could prepare a PIF for SPREP to build capacity in time to participate in the accreditation process by GEF-6. The CEO emphasized that in general it is not the policy or responsibility of the GEF to develop capacity in applicant agencies; however, this initiative could be undertaken as a one-time initiative for SPREP only, given the special circumstances of the Pacific region and that SPREP is currently the only environmental institution in that region capable of engaging with the GEF.

*Agenda Item 17            Report of the Selection and Review Committee*

72. The Chair of the Selection and Review Committee (SRC) reported on the completion of the work of the SRC concerning the selection process of the new GEF CEO and Chairperson. The SRC Chair further presented the SRC's recommendation to the Council.

73. The Chair reported on progress made on the performance objectives review process of the GEF CEO and Chairperson and GEFEO Director. The SRC will submit a report on this issue at the fall 2012 Council meeting.

74.

*Agenda Item 18            Appointment of the GEF CEO and Chairperson*

75. The Council appointed by consensus Dr. Naoko Ishii as the new GEF CEO and Chairperson, beginning 1 August 2012 for a four year term.

76. The Council welcomed the new GEF CEO and Chairperson and invited her to make a brief statement. The incoming CEO and Chairperson made a brief statement, thanking the Council for their support.

77. Some Council Members requested that Dr. Ishii participate in the Rio+20 Conference as the incoming GEF CEO and Chairperson.

*Agenda Item 19            Other Business*

78. The Secretariat updated the Council on the status of the work undertaken by the Steering Committee of the two Secretariats (UNFCCC and GEF) on the Green Climate Fund (GCF), established immediately after the COP in Durban (2012).

79. The Secretariat informed how GEF staff members have been seconded on part time basis in order to undertake work on the GCF.

80. The Secretariat further informed how the interim Secretariat had prepared all the documents for the GCF Board meeting, which was to be held in April 2012 but cancelled due to incompleteness of the composition of the Board.

81. The Secretariat informed the Council regarding expenses incurred on the work related to the GCF, which amount to approximately \$200,000. The Secretariat highlighted to the Council how the World Bank had established an intermediary fund to cover the expenses of the Secretariat. Therefore, the Secretariat requested the donor countries to make contributions now to the established financial intermediary fund in order for the Trustee to reimburse the GEF for the expenses incurred.

82. The Secretariat also presented to the Council its latest publication to be launched at the upcoming Rio+20 conference entitled, "From Rio to Rio: A 20-year journey to Green the World's Economies". The Council commended the Secretariat for its work.

83. Mr. Fernando Lugris, President of the Intergovernmental Negotiating Committee (INC)

on Mercury, presented the work of the Committee in developing a new legally binding Convention on Mercury to the Council. He thanked the GEF for its role in the provision of financial assistance through pilot projects that will inform the negotiations process. He also thanked the GEF for providing financial assistance to allow the organization of regional preparatory meetings in advance of the INC 4 and hosting of the Bureau Meeting in Washington, D.C. He further explained the potential future role the GEF may play in the Convention as a candidate for the Financial Mechanism of the Convention. He informed that there was increasing support of the GEF as a possible financial mechanism. However, since the most control measures are yet to be defined, at this stage, the INC is still considering what should be funded before deciding on the structure and modality of the financial mechanism.

84. Upon a Council Member's inquiry into the mandates of the committee on other toxic chemicals such as heavy metals, the President of the INC informed that the current mandate was on Mercury but that the Convention, once adopted, may need to work on developing synergies between other Conventions to address the broader context of chemicals.

85. The Secretariat presented the information document, GEF/C.42/Inf.09, *Concept Paper: GEF-5 Ozone, Climate and Chemicals Program* and GEF/C.42/Inf.10, *Operational Program for Mercury and Options for a Financial Mechanism* to the Council. Council Members welcomed positively the information documents and requested some clarification on allocation of resources for the program on Ozone under GEF-5 and the status of projects approved for mercury.

86. Many Council Members expressed the view that in information document, GEF/C.42/Inf.10, the proposals related to the financial arrangements should be considered as models and not as options for the time being.

87. Many Council Members also expressed their support of the GEF as the Financial Mechanism of the future Mercury Convention.

88. The Council requested that document GEF/C.42/Inf.10 be revised to include comments and suggestions made by Council Members and put forward for discussion at the 2012 November Council meeting as an agenda item. The models presented in the Secretariat's information document is to be fully analyzed and elaborated to include elements of administrative and other relevant costs associated with implementing the models.

89. One Council Member clarified that while the GEF/C.42/Inf.10 presents compliance only in the adaptation fund model, the GEF already operates compliance in the GEF trust fund within the context of the Montréal Protocol in its support to the CEITs.

90. The GEF CSO Network made a request for additional resources and Council agreed to reestablish a voluntary fund. The CSO Network stated that it was outlining activities to be undertaken with its available funds and invited countries to make contributions in support of the Network under the fund.

91. The GEF CSO Network acknowledged the Secretariat's commitment to develop a right's-based policy paper on the Indigenous Peoples and welcomed the development of

guidelines towards the implementation of a policy.

#### **CLOSURE OF THE MEETING**

81. The meeting closed on June 7, 2012.