



November 18, 2011 (Revised)

**HIGHLIGHTS OF THE COUNCIL'S DISCUSSIONS
GEF COUNCIL MEETING
NOVEMBER 8 - 11, 2011**

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. One Council member inquired into the status and pace of the NBSAP disbursements for activities, to which the GEFSEC informed that 112 countries were currently in the process of preparing their project applications with the remaining 33 eligible countries having been contacted by the GEFSEC inviting their participation.

3. The Council discussed the implications of the requests by CITES and potentially by other biodiversity conventions, to be financed by the GEF and it was agreed that the GEF Secretariat would organize a meeting of Biodiversity-related conventions with the Secretariat of the Convention on Biological Diversity to facilitate the coordination of their priorities for possible inclusion in the GEF-6 programming strategy

4. One Council member requested that the text on Paragraph 42 be clarified to reflect that the ICP meetings are not solely under the authority of the UN Law of the Sea, as the Council paper states, but that it is also the UN General Assembly. The Council member also requested that the recommendations adopted by the "working group on marine biodiversity beyond areas of national jurisdiction" be included verbatim in paragraph 43, instead of paraphrased.

5. One Council member requested some clarity on how West African constituencies can have access to the funding from the Nagoya funds.

6. One Council member suggested that the GEF Secretariat produce a document highlighting the common ground and gaps relating to synergies among the conventions. The

GEF CEO agreed on a need for synergies and indicated that while the GEF cannot impose institutional synergies, it has sought at all times to ensure that synergies are reflected in GEF Projects.

7. One Council member requested clarifications on how the Nagoya Protocol implementation fund will be used. The CEO clarified that due to the fact that the GEF manages two sources of funding related to access and benefits sharing, it is necessary to avoid duplication of efforts by differentiating the tasks assigned to each source.

8. One Council member requested that the resulting document from the 5th meeting of the Consultative Process on Financing Options for Chemicals and Waste be circulated. The Secretariat was also requested to provide a document on how efforts regarding ODS, POPs and energy efficiency can be merged. The document will be presented to the Council following consultations with the Multilateral Fund Secretariat.

9. One Council member informed that guidance on whether Biodiversity funding should cover migratory species and endangered species will be provided by the CBD COP next year in India.

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

10. Council members welcomed the presentation of the STAP Chair, noting their appreciation for the ongoing rigor of STAP reviews of projects at PIF stage, efforts to improve the assessment of climate resilience in GEF projects, and improving how GEF projects contribute to our understanding of complex environmental challenges – through *inter alia* the use of elements of experimental design in selected GEF projects.

11. With regard to upcoming work related to the disruption of the nitrogen cycle, one Council member noted the need to link this work to sustainable food production systems and ecosystem management.

12. Regarding the assessment of climate resilience in the GEF portfolio a question was raised as to how this was being addressed comprehensively in new project development, to which the GEF Secretariat responded that concrete measures in the project cycle were still under review.

13. A question was raised as to how the results of the upcoming Planet Under Pressure conference will feed in to the Rio +20 process, to which the STAP Chair responded that this was addressed through preparation of the conference Policy Briefs.

14. Finally, Council Members proposed that STAP prepare an intervention during CBD COP 11 to address the science of integrating livelihoods and conservation, as well as in providing assistance to Agencies where possible on fundamental scientific validity in the preparation of new projects.

Agenda Item 7 GEF Evaluation Office: Progress Report from the Director

15. The Director informed the Council that he had been invited to chair a professional peer review panel for FAO's evaluation function. He reminded the Council that the GEF had benefitted from a similar peer review during OPS4 and that participating in these peer reviews is a professional obligation, which he assumed the Council fully supported.

16. Several Council members indicated issues they would like to see included in OPS5: an in-depth look at the focal area strategies, reform processes, involvement of the private sector, innovative financial mechanisms, programmatic approaches and knowledge management in the GEF.

17. One Council member also inquired if OPS5 would include LDCE/SCCF and the Adaptation Fund. The Director replied that adaptation issues certainly would be covered but that any specific findings and recommendations would of course need to be presented to the respective fund boards.

18. One Council member asked if efficiencies could be achieved in OPS5, to which the Director responded that methodologies developed for OPS4 would be used in OPS5, that the Extended Constituency Workshops would be used for stakeholder consultations and that many issues raised in OPS4 had now been integrated into the regular evaluation program of the Office, thus enabling expected savings of more than 50 percent in the budget of OPS5 versus OPS4.

19. The CSO representative requested that sufficient funds be allocated for consultations with CSOs and asked for an urgent revision of the PMIS to ensure that the system includes information on CSOs involvement in GEF projects. The Director responded that Secretariat and the Evaluation Office and other GEF partners were working on the improvement of the PMIS and that the Evaluation Office was currently undertaking a study to identify the best way to categorize and include CSO involvement.

Agenda Item 8 Annual Thematic Evaluations Report 2011 and Management Response

20. One Council member asked for a better look at how enabling activities and the NCSA influenced programming in countries. The Director explained that this issue was better explored in country portfolio evaluations which considered the development of the full portfolio and the role of enabling activities in that context.

21. One Council member asked whether the evaluation supported the Secretariat's position that mainstreaming capacity development in focal area strategies would be more effective than a separate strategy for capacity development. The Director indicated that this evaluation had only looked at NCSAs and did not include a comparison in effectiveness between different capacity development approaches.

22. The representative of the NGO network asked attention be given to ensuring broader stakeholder participation in future capacity development initiatives.

Agenda Item 9 Annual Monitoring Report FY 11: Part 1

23. Several Council members expressed their appreciation for the mapping tool and the usefulness for countries to have such a portal. Council members asked about whether the tool would be able to capture impact data as well as generate reports for users. The Secretariat explained that the tool allows users to export and manipulate data using Excel. In terms of impact data, the current phase I of tool development is focusing on taking data contained in the AMR and translating it into a mapping portal. Once the mapping portal is running on the Secretariat's website, phase II will focus more specifically on mapping a select set of indicators per focal area. The phase II development will be undertaken in consultation with the Secretariat's program managers, the STAP, and the Evaluation Office.

24. Other Council members inquired about project cycle information presented in the AMR (Table 14). The Secretariat explained that the data is provided by fiscal year and not for a particular replenishment period as a whole. For GEF-5 no projects came for CEO endorsement in FY 2011 and therefore no data was available for the 2011 report. To better provide the complete picture of performance against the 22 month standard for GEF-4, it was agreed that the Secretariat will issue a revision of the AMR 2011, changing the current indicators' overall average for GEF-4.

25. Finally, one Council member suggested that an analysis for NPFES be provided to the spring Council in the AMR Part 2 report.

Agenda Item 10 Broadening the GEF Partnership: Clarification of Trustee Responsibilities

26. The document for this agenda item was withdrawn by the Trustee and was thus not discussed.

Agenda Item 11 GEF Minimum Fiduciary Standards: Separation of Implementation and Execution Functions in GEF Partner Agencies

27. A Council member expressed concern over institutional responsibilities and course for legal actions, when there is direct access to funds, particularly for those agencies that do not have international governing bodies. The Secretariat explained that all new agencies will sign with trustee the same financial procedures agreements signed with the ten existing agencies. The Trustee and the Legal Department of the World Bank will be asked to draft an information document of the responsibilities of the Trustee, the Secretariat and the new agencies in terms of resources provided for the projects.

28. A Council member wanted to stress that in Box 2 of the paper, national institutions should be carrying out projects within countries when there is direct access funding. With respect to a question on the language and meaning of "implementation" and "execution", the CEO responded that this is language comes from the GEF Instrument and has no bearing on the distinction between national or non-national entities. All agencies will sign a financial procedures agreement with the Trustee.

29. Other Council members expressed concern over who would certify the accounts pertaining to the projects in case where agency is carrying out both the implementation and

execution functions. UNEP and the Trustee explained that, although preferred practice is to have two separate agencies, where the agency carries out both functions the implementation/supervision function and the execution function would be in different departments, with separate reporting lines.

Agenda Item 12 External Review of Expense of Administrative Resources Provided to GEF Agencies

30. Several Council members supported the document indicating that one of its purposes was to provide some transparency for the use of fees for corporate activities undertaken by the agencies.

31. One Council member raised the question of whether the document applied to the new project agencies to be admitted into the GEF network. The CEO clarified that the fee policy for project agencies has been established as 9% when the Council made its decision on para 28 reform, and therefore this document is not applicable to potential new project agencies.

32. One Council member noted that no Council decision had been taken to set a ceiling for project management budgets, 10% of the GEF grant for grants up to \$2 million and 5% of the GEF grants for grants above \$2 million. Concerns were expressed over this arbitrary threshold, and it was noted that project management costs are linked to the complexity and nature of a given project.

33. Council members also requested the Secretariat to clarify the “additional scrutiny” proposed for projects with project management budgets that exceed the thresholds.

34. The CEO clarified that it is the responsibility of the Secretariat, in presenting PIFs to the Council, to ensure that projects are well prepared and cost effective. Therefore, for the last few years, the Secretariat has been focusing on the issue on project management costs. Project management cost are part of the overall project costs and are not decided by Council. These costs, which used to run around 15%-20% have been reduced to around 10% 4 years ago. The recent measure to establish a threshold of 5% is to further rationalize overhead costs. The Secretariat is aware that project management costs are project-specific, and therefore does not apply the threshold as a hard ceiling, but rather as a benchmark over which the Secretariat staff would request for the details of the items included in project management budget; under the threshold, no such additional details would be requested. If the project can indeed fully justify project management budgets above the thresholds, they would be accepted and approved.

35. Some Council members requested more detailed reporting on the activities covered under the corporate budgets of agencies for the Council to make an informed decision on the fee structure.

36. The GEF Secretariat insisted that it has continuously shown a commitment to cost effectiveness by presenting Secretariat corporate budgets with 0% nominal increases.

37. The three Implementing Agencies expressed concern that a series of GEF policy reforms “contravene founding principles of the GEF, including leveraging existing Agency systems and leveraging finance to mainstream global environment issues in traditional development

assistance.” With regard to the fee paper, they expressed concern that the “key conclusions are inconsistent with the analysis and appear not to be independent, and that there is omission of extensive data supplied by the Agencies.” Nevertheless, several agencies expressed their commitment to working with the Council and GEF Secretariat for cost containment and willingness for transparency on the issues of activities covered by the fees. One agency expressed concern about the definition on “administrative fees” which for them should also cover technical fees and reporting.

38. A Council Member suggested that corporate fee be cut from 1% to 0.675% with a full fee structure review at the next Council meeting. Many Council members expressed their support for a reduction in fees and agreed that the Secretariat establish a working group composed of two donors, two recipient countries, the GEF Agencies and the Secretariat with a view to decreasing the fees.

39. One Council member requested clarification on the process of selection for members of the working group to which the Secretariat responded that it would hold consultations and report back to the Council, with a week for their comments.

Agenda Item 13 Work Program

40. Council members expressed great satisfaction in the high quality and composition of the work program particularly with the number of multi-focal area projects and programmatic approaches including the significant increase in co-financing. Council members have likewise, recognized the excellent work provided by STAP with its project advisories.

41. Council members have selectively provided comments on the different projects and programs and asked the Agencies to consider them in the further development of the projects/programs. Some Council members, including the CSO representative, have indicated that they will be providing written comments to the Secretariat for the Agencies’ consideration.

42. Council members have repeatedly expressed the need for transparency. Agencies should have wider stakeholders’ consultations in the formulation and implementation of projects. Particular mention was made on the lack of consultations with co-financiers. Co-financiers should be considered as partners within the project cycle and should therefore be consulted throughout the stages of the project cycle.

43. Council Members have also recognized that more effort should be done to engage with the private sector, the participation of CSOs, and the importance of dealing with indigenous peoples’ concerns. In this regard, the CSO representative called for highlighting due recognition to the contributions of CSO at the development stage of the projects, in particular, a section to this effect should be provided in the PIF. Furthermore, an update of the GEF public involvement policy may be necessary. In addition, the CSO representative also highlighted the significantly higher contribution in co-financing by the CSOs. In this work program, the combined contribution of foundations and CSO in fact exceeded that of bilateral agencies.

44. One Council member questioned the rather slow utilization of GEF resources considering that this is now the end of second year of the replenishment period. The CEO explained that it was not possible to have a work program on the first year because donor contributions had not

been received. The CEO also expressed concern on the uncertainty of actual donor contributions and there may be a need to apprise the Council of the actual resources in June 2012. Regardless of availability of resources, the CEO gave reassurance that STAR allocations would be protected.

45. Several Council members referred to the importance of providing support to modifying risky practices such as in the areas of solid waste and hospital wastes and cautioned proponents of unconsciously transferring environmental problems from one place to another.

46. One Council member commented that there should be consistency in the use of terminologies between POPs, ODS and chemicals. Related to this, it is the expectation of the Council that pilot projects in the field of Mercury reduction be submitted to Council as soon as possible.

47. One Council Member suggested more communications among the GEF Agencies to avoid proposals of similar topic from different GEF Agencies submitted to the same country.

48. One Council member made a request to the Secretariat and the Trustee to prepare a joint report on financial flows (current availability and projections) and project programming (current work program and PIF submissions) for the Council, in order to provide them with information that would allow them to better understand the progress made in fulfilling the GEF-5 programming strategy and because it would contribute to greater transparency in GEF. This request was supported by some Council members.

49. The CEO responded that under the GEF Instrument, the Secretariat is responsible for coordinating the preparation of a work program for submission to the Council. If detailed information on how the work program is formulated is made available, it could result in interference by Council Members in the work program preparation processes. Nevertheless, there are several mechanisms in place that make relevant information available to Council Members. The CEO emphasized that given this plethora of information that is made available in the context of the preparation of the work program and status of GEF resources, provision of any additional information would be superfluous and lean towards micro managing.

50. A Council Member suggested that if a co-financier has been identified at PIF stage, an indicative co-financing letter should be secured. CEO explained that based on GEF policy, at the time of CEO endorsement, all co-financiers' contribution will be verified and a confirmed co-financing commitment letter will have to be submitted to the Secretariat in order for the CEO to endorse the project.

51. One Council Member indicated that the modalities for accessing SFM funding are not clear.

52. Some Council Members and the CSO representative expressed interest to see in the future work programs that highlight projects identified from the NPFES.

Agenda Item 14 Revised Strategy for Enhancing Engagement with the Private Sector

53. Council members were strongly supportive of the need to enhance Public Private Partnerships (PPP), noting the many benefits of such partnerships and taking note of the need to

encourage private sector interests to integrate delivery of global environmental benefits into everyday business decision-making.

54. Council members noted that the document presented for Council approval was understood to be a programming document for the \$80 million private sector set-aside and should not be interpreted beyond that. Council members also noted the importance of Country consultation in private sector investments, which was acknowledged by the representatives of the MDBs and by the GEF Secretariat.

55. Council members made note of the need for PPP Programs to be developed in all focal areas, not just climate change mitigation.

56. Council members reflected on the detailed documentation presented in the revised strategy and the three modalities presented. Each of the three approaches received support, though not universally across the board. Several council members expressed reservations pertaining to the relatively modest share of resources allocated to Modality 3 (SME competitions) and as to how to have a tangible impact with it. The Secretariat answered queries and provided the Council members with an actual example demonstrating tangible impact despite relatively small resources allocation in the area. Council members also noted that the comparative advantages of all GEF implementing agencies, not just MDBs, should be considered for this Modality. The Council responded without objection to the request of the Secretariat to have flexibility to pursue Modality 3 under the strategy.

57. Council members asked the GEF Secretariat to work closely and rapidly with the MDBs to develop clear descriptions of the operational modalities for the PPP Programs. It was noted that each and every PPP Program, along with its operational modalities, will be submitted for Council approval as part of a work program.

58. On the subject of operating modalities, the World Bank/IFC, representing also the EBRD and the IDB, requested for the MDBs to have full delegated authority to make private sector investments. During the discussion, the CEO remarked that full delegated authority had not worked well in the Earth Fund and was not on the table; instead some type more limited, focused delegation between everything and nothing should be considered and defined in the operational modalities. One Council member asked the World Bank/ IFC whether they were still interested, to which the World Bank/IFC representative answered positively.

59. Council members also noted the need to get started on specific PPP investments early in GEF-5 and therefore requested that the GEF Secretariat and the MDBs readily work together to develop proposed PPP Programs and projects in time for inclusion in the June, 2012, work program, contingent on Council approval of the operational modalities

60. Several of the points noted above required amendments to the document. These amendments are reflected in the revised document that will be posted by the GEF Secretariat. These include: a) clarification that the strategy is for programming GEF-5 private sector funds; b) clarification that an OFP endorsement is required when a PPP program is for one specific country; c) clarification that reflows for Modality 1 always return to the GEF and the reflows

from STAR allocation for Modality 2 that stay with a country can be reinvested with concurrence of the GEF Secretariat.

Agenda Item 15 Criteria for the establishment of Trust Funds within the GEF

61. One Council member requested that if there are changes to a document that require it to be withdrawn, the revisions should be presented to Council with track changes so that the Council can follow the changes.

62. Some Council members expressed their reluctance to support the approval of the standing trust fund to avoid duplication of efforts and further called for a clear separation of functions for existing funds.

63. Some Council members indicated that while they did not want to foster rigidity in the GEF, they wanted more concrete criteria before establishing new windows. They also called for a full commitment to GEF-5 before establishing new funds.

64. Some Council members expressed support for option 3 as a suitable method to incorporate new COP guidance with the provision of new and additional resources. Other Council members supported option 2 with an increase on the thresholds while some Council members declined to support until there was clarity on the purpose of the document/ decision.

65. The GEF CEO in foreseeing the need for a decision arising in the future encouraged the Council to keep the document on review so as to quickly reach an agreement on what to do regarding the establishment of new trust funds especially with an increasing need to make allowances for the mercury issue.

66. One Council member proposed the development and presentation of two strategic papers; one on chemicals financing and the other on financing the engagement with the private sector and green economy.

67. In this context, the secretariat agreed to present a document on chemical finance (financial modalities for mercury process) as well as, invite the chairman of the INC to the next Council meeting upon request from the Council for the chair to present information for a better informed decision.

Agenda Item 16 GEF Policy on Agency Minimum Standards on Environmental and Social Safeguards

68. The GEF CEO updated the Council on the status of the accreditation process for GEF Project Agencies under Paragraph 28 of the GEF instrument. Four national agencies - Brazil, China, Russia and Uruguay – have indicated their intention to apply for accreditation by December 31. Several regional organizations also intend to apply, including SPREP, the Regional Environmental Centre, BOAD for Africa; as well as international organizations and NGOs, such as: IUCN, WWF, Conservation International, and the Nature Conservancy. The Council Member from South Africa expressed his country's intent to also nominate an agency for accreditation.

69. The GEF CEO also informed the Council that it is finalizing a brochure on the accreditation process for interested agencies. The GEF Secretariat has also selected three experts to serve on the GEF Accreditation Panel. They are: Werner Kiene of Austria (for governance and accountability issues), Sheriff Arif of Egypt for (Environmental and Social Safeguards), and Barbara Scott of Jamaica (project development issues).

70. One Council Member inquired into how the application of agency safeguard systems to GEF projects would be funded. The GEF Secretariat answered that this has normally been funded with counterpart funding, which can be counted as co-financing.

71. Several Council Members noted that the safeguards, while consistent with those of the World Bank, were deficient in not covering human rights and other social sector issues adequately. They noted that most environmental financing mechanism tended to be deficient in this regard, raising the risk that such rights would be violated. Some Council Member also said that the paper needed to give more attention to the issue of Indigenous Peoples and why the paper did not explain the GEF's relationship with Convention ILO169 and the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). One questioned if there had been adequate consultations with Indigenous Peoples preparing the document. Some also asked why the gender policy and minimum standards were not included.

72. The Secretariat clarified that it had consulted with and received comments from the GEF NGO network and other CSOs, including Indigenous Peoples rights groups and that the paper discusses ILO 169 and UNDRIP. The Secretariat said that greater attention would be given to social issues, including human rights, when the policy is revised, but the minimum standards were consistent with guidance from the Council that they not exceed the standards of the World Bank.

73. There was support for the proposal that the GEF adopt a standard of "free, prior, and informed consent" (FPIC) "for which FPIC is required by virtue of the relevant state's ratification of ILO Convention 169." One Council Member pointed out that only 22 states have ratified ILO 169, of which 18 are GEF recipient countries, and 14 of these are in the Latin American and Caribbean region. The Member asked how FPIC would be applied in these countries. The Secretariat answered the ILO 169 requires consent for relocation of indigenous peoples. Therefore, FPIC would be required for any GEF project that proposed to relocate Indigenous Peoples. Several Council Members said they would have supported a broader application of FPIC, in terms of countries and activities.

74. One Council Member spoke of the need for the GEF to take a "country systems" approach to safeguards and called on the GEF to ensure that national agencies have the capacity to meet the minimum standards. The Member suggested that the Secretariat work with countries in capacity development. The Secretariat staff pointed out how the GEF's approach on safeguards, as it applied to national agencies was indeed a "country systems" approach.

75. Several Council Members welcomed the inclusion of a minimum standard on "accountability and grievance mechanisms" and the information on the GEF's conflict resolution commissioner and his/her role in implementing of the minimum standards.

76. Several Council Members called on the Secretariat to ensure equal treatment between the ten GEF Agencies and the GEF Project Agencies. Council Members pointed out that while existing Agencies would not need to meet the standards immediately – they could implement an action plan – new agencies would be required to meet the standards from the outset. They requested clarification on how equality would be ensured. The CEO clarified that the paper would be amended to ensure that both types of Agencies would receive a specific grace period in which to conform to the standards outlined. The CEO pointed out that the paper mandates that all existing GEF Agencies meet the minimum standards by end-2014.

77. The NGO representatives expressed their concerns about the lack of adequate references of UNDRIP and attention to Indigenous Peoples issues. They also said that application of FPIC only to states that have ratified ILO169 was too narrow. They also called for limiting Agencies from implementing projects in areas where they had not met the safeguard standards.

78. The Secretariat stated that it had made as much progress as possible on the issue of FPIC given the diversity of views in the Council and among Agencies. The Secretariat pointed out that a comprehensive policy paper on Indigenous People was under development that would take into account all concerns expressed and more.

79. One Council Member wanted it reflected in the record that the intention of the Council is to develop a GEF policy paper on Indigenous Peoples issues for the June 2012 Council Meeting. The Member requested that the Secretariat seek early feedback from Council Members in the development of such a policy paper and to make sure that the paper is prepared in consultation with Indigenous Peoples' representatives.

80. In response to inquiries, the Secretariat clarified that it would convert GEF/C.41/CRP.02 and GEF/C.41/CRP.05 (which amended one paragraph of CRP.02) into a revised document (GEF/C.41/10/Rev.1) and post on this on the website. This final revision would include a few amendments to reflect Council comments

Agenda Item 17 Rules regarding GEF Consistencies

81. Council members welcomed the document and proposed that the issue be kept under continuous review. There were also calls for countries that had not already done so to fulfill their financial commitments to the GEF Trust Fund.

Agenda Item 18 Report of the Selection and Review Committee

82. The Chair of the Selection and Review Committee (SRC) reported on progress achieved on process of selection of the GEF CEO/Chairperson. The Chair further reported on the recommendations of the SRC on the salary review process of the GEF CEO/Chairperson and EO Director.

Agenda Item 19 Other Business

83. One Council member requested a discussion on GEF/C.41/Inf.12: Independent review of GEF systems presented by Trustee. The Council welcomed the presentation by the Trustee. The Council requested the Trustee and the Secretariat to work together to identify cost-effective options for GEF Systems development for Council consideration at the June 2012 meeting

84. One Council member requested a discussion on GEF/C.41/Inf.08 Progress Report on the Nagoya Protocol Implementation Fund, prepared by the GEF Secretariat and the letter sent to the country operational focal points. The Council welcomed the briefing by the Secretariat and the commitment of the Secretariat to send out a letter clarifying the issue to all focal points.

85. The Council agreed on the date of the next Council meeting for June 4th 2012.

CLOSURE OF THE MEETING

86. The meeting closed on November 10, 2011