

**HIGHLIGHTS OF THE COUNCIL'S DISCUSSIONS
43RD GEF COUNCIL MEETING
NOVEMBER 13-15, 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 4 Vision for the GEF 2020

2. The GEF CEO/Chairperson noted in her introduction that the progress being made by the international community, including the GEF, is failing to turn around the worrisome trend in the global environment, and that the protection of the global commons, which is the GEF's core mandate, is seldom treated as a critical priority. She also noted that the proliferation of environmental funds is complicating the international financial landscape. Against this background, the GEF CEO/Chairperson stated that she considered it vital for the GEF to articulate a long-term vision and strategy for 2020 and beyond.

3. To set the stage for the discussions, the Council heard a keynote address from Mr. Francisco Gaetani, Deputy Minister of Environment of Brazil. Mr. Gaetani, presented a number of lessons from Brazil's experience in environmental policy development and implementation. He emphasized the importance of streamlining environmental policy into national development agenda, and of building strong partnerships with a broad set of stakeholders, including civil society and the private sector. H.E. Mr. Aram Harutyunyan, Minister of Nature Protection of Armenia, Ms. Jan McAlpine, Director for the United Nations Forum on Forests and Ms. Rachel Kyte, Vice President for Sustainable Development, World Bank provided their viewpoints.

4. Almost all Council members supported the idea of conducting the long-term vision exercise. Several Council members also pointed to a number of issues that would warrant attention in the long-term strategy, for example, how to enhance GEF's role in innovation, how to collaborate more strongly with the private sector, how to maximize synergies across focal areas, how to define the appropriate scope of GEF activities, (e.g. in relation to the Green Climate Fund), how to further strengthen GEF's focus on results, review GEF's resource allocation framework, strengthen value-for-money in GEF operations, how GEF can help further mainstream environmental protection in policy making, how GEF can relate to the evolving global sustainable development agenda following Rio+20, and promote South-South collaboration.

5. Several Council members requested to ensure consistency between planning processes for both the GEF 2020 and GEF-6 replenishment.

Agenda Item 4 Statements by the Executive Secretaries of the Conventions

6. Council members expressed their appreciation at statements made by Dr. Bráulio Ferreira de Souza Dias, Executive Secretary of the Convention on Biological Diversity and Mr. James Willis, the Joint Head of the Stockholm, Rotterdam and Basel Convention Secretariats.

Agenda Item 5 Briefing on the Replenishment Process

7. Some Council members reminded Council of a number of replenishments currently under discussion and consequently, the pressing need to organize the GEF-6 replenishment schedule as well as the judicious selection of meeting venues.

8. Several Council members noted the challenges of the upcoming GEF-6 replenishment, in the context of the fiscal constraints faced by donor countries. Nevertheless, many Council members expressed hope to see a replenishment volume commensurable with the increasing environmental degradation and noted the importance of having the GEF continuing to play a bigger role in mobilizing resources despite the emergence of new funds, such as the Green Climate Fund. Other members underscored the importance to broaden the GEF donor base and one member invited emerging economies to assume more responsibility.

9. Several Council members requested the participation of recipient countries in the upcoming GEF-6 replenishment.

10. One Council member suggested following the precedent set by the GEF-5 replenishment process, which saw the participation of recipient countries, and CSOs.

11. Comments were made on tentative meeting dates under discussion.

Agenda Item 7 Relations with the Conventions and Other International Institutions

12. The Presidency of the COP-11 Bureau of the CBD made a statement highlighting COP-11 decisions.

13. Some Council members requested more detail on the number of national communications and reports to the various Conventions. These details were provided by the Secretariat.

14. Some Council members expressed concern about comments made by country representatives at Conference of Parties (COPs) of various Conventions on the quality of GEF response to the COP guidance, and asked if these were clear enough to be followed.

15. The Secretariat and one Council member highlighted the high quality of the GEF reports to the various Conventions. The Secretariat presented a GEF publication containing all the guidance received from the 17 UNFCCC COPs so far, including GEF responses to every COP guidance.

16. On CBD COP guidance, the Secretariat clarified that guidance has improved over time and is useful for designing future strategy and providing responses to it.

17. One Council member requested that a more in-depth analysis of synergies in the projects included in the work program, beyond the more obvious ones that are multifocal in nature should be provided. The Secretariat will take this request into consideration while preparing the report for the 44th Council meeting.

***Proposed Framework for a Financial Mechanism for the Future
Mercury Convention and Draft Operational Program for Mercury***

18. Several Council members appreciated the revisions made to the information document, GEF/C.42/Inf.10, *Operational Program for Mercury and Options for a Financial Mechanism*, discussed at the 42nd Council meeting.

19. Many Council members supported the single option presented in this revised document, GEF/C.43/04, *Proposed Framework for a Financial Mechanism for the Future Mercury Convention and Draft Operational Program for Mercury*.

20. One Council member questioned the single option presented in the document and expressed the view that reference should have been made to the three options presented at the 42nd Council Meeting.

21. Several Council members expressed that a clear signal should be sent to the INC that if invited, the Council would welcome the GEF becoming a or the Financial Mechanism of the future instrument on mercury. Some Council members stated that the negotiations of the INC were not yet concluded, and therefore, Council discussions should not pre-judge the decision of the INC on their choice of a future Financial Mechanism.

22. Several Council members noted that additional resources are needed for the upcoming GEF-6 replenishment, if the GEF is invited and accepts the invitation to become the Financial Mechanism.

23. One Council member requested the GEF to include considerations for the mercury strategy during the planning for both the GEF 2020 and the GEF-6 replenishment.

24. One Council member requested that the Council take note of the efforts being made in the consultative process on financing chemicals and wastes.

25. One Council member stressed the fact that, as evidenced by GEF's funding of several mercury projects, the GEF is able to become a or the Financial Mechanism, if invited.

Agenda Item 8 Report by the Chairperson of the Scientific and Technical Advisory Panel

26. The Chair of STAP emphasized that the STAP supports the CEO's new vision for the GEF and looks forward to participating in the GEF 2020 strategic exercise. He advocated that the GEF revise its policy on targeted research to make the GEF more effective in all areas, including innovation. There was a discussion of this issue, and it was agreed that STAP and the

Secretariat should work together to bring forward a new, combined approach to research and knowledge management.

27. The Chair also offered observations on the GEF's work program, updated the Council on important, recent STAP advisory products, including targeted research relating to better measurement of carbon benefits from GEF projects, and changes in the composition of the Panel. He informed the Council that a search is underway for a new STAP Chair (to be in place by June 2013) and welcomed Council members to offer suggestions on good candidates by the end of the week. He also presented the findings of a STAP commissioned advisory report on climate change for the GEF as it begins the GEF-6 replenishment.

28. Several Council members noted the important role of STAP in screening projects as well as its advisory and strategic work. One Council member asked if STAP's screening of projects adds value. The Chair of STAP reported that this is critical as it enables the STAP to keep abreast of what GEF is actually funding.

***Agenda Item 9 GEF Evaluation Office: Progress Report from the Director and
Agenda Item 10 Annual Thematic Evaluations Report 2012 and Management Response***

29. The Council welcomed the Progress Report and the Annual Thematic Evaluation Report 2012 (ATER) and expressed its appreciation for the work of the GEF Evaluation Office.

30. One Council member expressed concern that the GEF should have followed best practice in providing a management response to the Overall Performance Studies in the past. The Director of Evaluation stated that in the early nineties when the tradition took hold to have independent Overall Performance Studies (OPS), there was no practice yet to have management responses to similar evaluations elsewhere, so the GEF could not be blamed for not following best practice when the system was taking shape.

31. Several Council members highlighted the importance of coordinating the timing of the OPS5, the GEF-6 replenishment, and the GEF 2020 in order to ensure that these processes inform and benefit from each other. The Director informed the Council that if the first replenishment meeting would take place end of March or early April, 2013, the first report of OPS5 will be presented at that meeting.

32. A number of Council members expressed their appreciation of the GEF Evaluation Office's work on establishing and employing a theory of change approach to GEF activities. One Council member supported the ATER's conclusion that a systematic discussion of causal links should form the basis for the formulation of GEF-6 Strategies, while another member cast some doubt that if it is possible to apply this seemingly complicated theory to the strategy planning. In this context, Council members requested additional information on how causal links are reflected in existing performance indicators and result frameworks. The Evaluation Office responded that these issues concerning the implementation of GEF Focal Area Strategies in GEF projects will be explored further in the context of OPS5.

33. Some Council members commented on the ATER's findings regarding the challenge to reconcile the strategic coherence of the GEF Biodiversity Strategy with the detailed and technical nature of CBD guidance to the GEF. The Evaluation Office pointed out that the

evaluation explicitly recognizes the ongoing process of collaboration between the GEF Secretariat and the CBD to address this challenge and that the evaluation's findings are envisioned to support and contribute to this process.

Agenda Item 11 Annual Impact Report 2012 and Management Response

34. Several Council members proposed to use the findings of the impact evaluation to feed back into the programmatic approaches and regional cooperation initiatives in other large marine ecosystems supported by GEF.

35. Some Council members as well as the CEO acknowledged the comparative advantage of GEF as pointed out in the report: linking initiatives at regional, national and local scales, which in the South China Sea and Adjacent Areas is not fulfilled by any other donor.

36. Several Council members emphasized that GEF's key comparative advantages identified in this evaluation should be reflected in the preparations for programming of GEF-6.

37. Several Council members identified coordination and collaboration within the GEF partnership, broader adoption and financial sustainability of GEF initiatives as persistent issues that require ongoing attention in GEF projects.

38. One Council member expressed concern about the potential costs associated with strengthening of new project proposals in the South China Sea and Adjacent Areas and invited the Secretariat to be prudent in this regard.

39. One Council member informed the Council that PEMSEA felt that there will still factual errors in the report that would need to be corrected. The Director of the Evaluation Office confirmed that factual errors, where substantiated, would be corrected in the final version of the report. However, he also expressed regret that PEMSEA had only engaged substantially with the evaluation team at a very late date. He thanked UNDP for its support in reaching out to PEMSEA.

40. One Council member pointed out the need to integrate evaluation lessons into the GEF knowledge management framework. The Director of the Evaluation Office informed the Council that he looked forward to working with the CEO on this issue, given the renewed priority for knowledge management.

Agenda Item 12 Annual Monitoring Review FY12: Part I

41. Several Council members showed appreciation for the Annual Monitoring Review (AMR) FY 12: Part I, and acknowledged that having the AMR in two parts as decided by the Council last year, will allow for more relevant and comprehensive information, as needed both for programming optimization as well as to meet the needs of Council members.

42. Several Council members appreciated the information on the National Portfolio Formulation Exercise (NPFE) included in this AMR report and suggested that a more in-depth analysis of the NPFEs process could be undertaken in the context of OPS5. To a question as to why a number of NPFE reports had still not been received, the Secretariat responded that since the NPFE exercise was relatively new, countries that have undertaken the exercise last were

still finalizing their reports and should be sending these soon.

43. A Council member requested that future AMRs reflect on time elapsed between project approval and disbursement by agencies.

44. A Council member requested that future AMRs report on aggregation of indicative results of initial replenishment targets that is expected for the projects approved in GEF-5, as well as in general for future replenishment periods. The number and range of indicators could also be expanded, but in a manner that does not create more administrative workload. The Secretariat indicated that these issues will be considered within the AMR Part II.

45. Given that multifocal area projects (MFAs) are becoming a larger portion of GEF portfolio, a Council member requested further analysis on the MFA data to provide a breakdown as to where the funding is going and to identify the synergies between focal areas. The Secretariat responded that the AMR Part II will include this information.

Agenda Item 13 Streamlining of Project Cycle

46. Many Council members expressed their appreciation regarding the constructive engagement between the GEF Secretariat and the Agencies on the streamlining exercise and encouraged the new spirit of cooperation.

47. Several Council members supported the proposed measures and urged their early implementation while continuing efforts for further streamlining

48. Many Council members expressed support for the implementation of the pilot phase with the World Bank and to learning from this experience, in particular regarding quality improvement, cost savings, and potential for replication in other Agencies. Several Council members encouraged the Secretariat to communicate directly with the operational focal points on the elements of the streamlining measures. When embarking on additional streamlining measures or changes to the project cycle, they cautioned that such measures should not impose additional burdens on countries.

49. The Secretariat explained how the pilot for project cycle harmonization will be done with the World Bank. It is expected that this collaboration would result in better project design, with the early input from the GEF focal area experts, thus reflecting more closely the GEF strategic objectives and principles.

50. While welcoming the proposed streamlining measures proposed in the document, several Council members also expressed concern regarding the lack of quantifiable cost savings associated with the streamlining measures, and an assessment whether the proposed measures are commensurate with the reduced fee structure recommended at the 42nd 2012 Council meeting. A few Council members suggested identification of indicators that would reflect actual cost savings. Some Council members noted that the cost savings from these streamlining measures may not necessarily be easily quantifiable, as the benefits from these measures can also accrue to the countries by facilitating access to GEF resources.

51. Many Council members queried the rationale for raising the ceiling of MSPs from the current \$1 million to \$2 million. The Secretariat explained the motivation behind the proposal,

including it being part of the package of streamlining measures, cost savings in the project cycle time saving, reduced effort for projects within the increased funding range, and encouragement of wider participation of project proponents, such as CSOs and other smaller government agencies and sectors. Also, The Secretariat explained that the share of MSPs to the overall GEF project approved has been declining from 44% in GEF-2 to 12% in GEF-5 to date. The value of the \$1 million when first prescribed in 1996 has been eroded by inflation overtime. Further, the MSPs under the LDCF have had a ceiling of \$2 million for several years. Moreover, many institutions, including the World Bank, have defined their small grants as proposals up to \$5 million.

52. On one question on tranche payment of Agency fee, the Secretariat clarified that the rationale for tranche payment of the Agency fee as proposed is to provide sufficient resources for the Agencies during the preparation phase of the project. The Secretariat confirmed that there is a Council approved fee return policy that remains in effect.

53. One Council member recommended the full implementation of a previous Council decision on project cycle paper at the 38th Council meeting where the following indicators were suggested for the Secretariat to track: “(i) time elapsed between submission of a project concept to a GEF Agency and the submission of the PIF to the GEF Secretariat; (ii) time elapsed between PIF approval by the GEF Council and CEO endorsement; and (c) time elapsed between CEO endorsement and the first project disbursement.”

54. The World Bank representative welcomed the efforts undertaken for streamlining and expressed belief that this cultural shift would provide ripple down benefits to recipient countries. The pilot should showcase the World Bank’s strengths by reducing attention to formats and shift to a more strategic process of engagement with the Secretariat. The representative noted that the savings on streamlining is not yet commensurate with the fee structure, but that the World Bank is committed to working with the GEF Council and the Secretariat towards achieving that objective.

55. The UNEP representative stated that increasing the MSP ceiling would allow for a wider set of partners to be involved in GEF projects. The representative stated that the pilot may not necessarily be replicable to other Agencies but welcomed the idea of aligning review process with that of Agencies. The representative mentioned that Agencies would also need to streamline their own procedures and that this is already work in progress. Similar to the World Bank, UNEP noted that the cost savings are not yet commensurate with the fee structure.

Agenda Item 14 Progress Report: Accreditation Process for GEF Project Agencies

56. Several Council members welcomed the progress report, noted the significance of the accreditation process as a key GEF-5 reform to expand the GEF partnership and expressed their appreciation of the Secretariat’s continuing efforts in undertaking this important reform.

57. Many Council members emphasized the importance of conducting a thorough review of applications in line with GEF standards and completing the review process within a reasonable timeframe. A Council member stated that the review of national agencies should be expedited and completed as quickly as possible such that accredited agencies could begin to implement

GEF projects in GEF-5. One Council member pointed out that it would be desirable if the accreditation process could be completed in time to inform the GEF-6 replenishment process.

58. Several Council members underlined that this is currently a pilot process and that, while some applicants may be anxious to expedite the process, it is important to conduct a robust assessment of all applicants. One Council member reflected that it would be good to avoid the perception that the process is moving slowly and that efforts to speed it up may result in additional costs and possible compromise on the quality and the consistency of the reviews. Two other Council members further noted that the GEF Accreditation Panel is an independent panel and it would not be appropriate for the Council to dictate or influence how the Panel conducts its reviews.

59. The Secretariat commented that the accreditation process was progressing as envisioned, especially given the large number of documents submitted for review and translation issues, with the Panel reviewing one applicant agency per month.

60. Several Council members stressed the fact that the accreditation process should be transparent and that there should be good communication between the Secretariat and the applicants.

61. One Council member noted the need for affirmative action in favor of highly vulnerable countries and stressed that SPREP should receive adequate support in order to build its capacity and become qualified to resubmit its application as soon as possible, preferably by the next Council meeting in June 2013.

62. One Council member requested clarification on the requirement that applicant agencies are to cover any additional costs that may emerge due to further reviews or field visits. In response, the Secretariat explained that the requirement for applicants to cover such additional costs is based on previous Council decisions to ensure the cost-neutral nature of the accreditation process, as noted in relevant Council-approved documents.

63. When asked whether field visit proposed by the Accreditation Panel is necessary, the CEO pointed out that the Accreditation Panel is an independent entity and the Secretariat cannot intervene in its review process or influence its decisions. She said that the Secretariat is bound by the Council-approved accreditation process and she urged the Council to allow the Panel to go through this process until June, 2013 at which point the Council can examine the results.

64. Another Council member stated that there are many new applications in the pipeline for a second round of accreditation and that these need to be considered soon. One Council member agreed and questioned the way the pilot accreditation process was originally designed, noting that the pilot's target of accrediting 10 agencies might be achieved at the end of the first round, preventing the Council from considering other qualified agencies in the pipeline and therefore, giving first round applicants an advantage over those in the pipeline. Another Council member suggested that this is a learning experience and the pilot could learn from the experience of the accreditation process of the adaptation fund. Several Council members agreed that the Council would revisit the accreditation process during GEF-6.

65. The CSO representative flagged the role of accreditation in terms of promoting country ownership and expressed hope that the pilot will be successful.

Agenda Item 15 Financial Projections for GEF- 5 Programming

66. Several Council members expressed disappointment that the GEF may potentially be in a situation of having reduced funds. They urged donor countries that are in arrears to make good on their pledges in the remaining time left of GEF-5, while expressing appreciation to the donor countries that have already honored their pledges. Several members were of the view that the Council should try to ensure that a similar situation does not arise in GEF-6, by an innovative collaboration between the GEF and donor countries that can incentivize donor pledges.

67. Several Council members expressed their views that, as the Small Island Developing States (SIDS) and the Least Developed Countries (LDCs) are vulnerable groupings, their allocations should be protected. A few Council members expressed the view that these definitions for vulnerability should be expanded. There was some discussion on the possibility of protecting the allocations of other developing countries that do not fit into these categories, such as countries with low income, countries in crisis, countries in transition, countries with small STAR allocations, and middle-income countries that have been affected by the financial crisis.

68. Several Council members expressed reservation as to the potential reduction of the Chemicals focal area allocation, in particular in the context of the ongoing Mercury negotiations. Several Council members expressed reservations with the potential reduction of the International Waters focal area in the context of the importance of the global commons. Some Council members suggested that funds could be shifted from areas where there is low utilization, such as Capacity Building and Country Support Programs. However, other members expressed their reservations with the reduction of funds to this area. Several Council members requested that, in the event of a financial shortfall, both the STAR country allocations and the non-STAR areas should not bear disproportionate weights. One Council member recalled that the programming should also respect a previous Council decision related to STAR. In this context, there was general agreement that the funding ratios of the GEF-5 should be respected.

Agenda Item 16 Work Program

69. The Council welcomed and supported the composition of the work program, financially commensurate with the resources available.

70. Council members provided comments on specific projects in the work program and asked the Agencies to consider them in the further development of the projects. Some Council members, including the representative of the CSO network, indicated that they will be providing written comments to the Secretariat for the Agencies' consideration.

71. Council members were, in particular, pleased to support programs that respond to Conventions' requirements for national reports while reiterating the need to develop capacities within reporting countries. A number of Council members also requested that in the case of the national communications and biennial update reports, the GEF Agencies (UNDP/UNEP) need to provide more clarity by indicating the stage at which the countries are reporting and the submission dates of preceding national reports. Council members praised the quality of many of the projects included in the Work Program, such as the one for South Africa that aims at mainstreaming biodiversity in the infrastructure sector.

72. A Council member pointed to the reviews conducted by STAP of some projects that he considers important to be integrated into their further development.

73. A Council member recognized the adequate representation of projects in Africa in this Work Program and asked for more attention to this continent in future Work Programs. The Council member further suggested that the share for Africa in work programs should ideally be about 25%.

74. The representative of the CSO network praised in particular one POPs project with a clear involvement of relevant Civil Society Partners.

75. A Council member requested clarification on the mentioning in the cover note that the work program covered 15 out of the 31 GEF focal area objectives and the intention of presenting such data. The Secretariat explained that since the projects are country driven, the coverage of focal area objectives are a result of the nature of projects received from the Countries at the time of work program preparation rather than focal area programming. The cover note includes this point as a matter of reporting.

76. In response to a question regarding the table that presents the regional distribution of projects, the Secretariat agreed to provide data discriminating between Asia and the Pacific Islands in future Work Programs.

Agenda Item 17 Report of the Selection and Review Committee

77. The Council welcomed the recommendations of the Selection and Review Committee and noted the importance of the performance review process.

78. A Council member sought and obtained clarification on the performance objective review process.

Agenda Item 18 Other Business

79. The Council confirmed the dates for the upcoming Council Meetings as follows:

- 44th Council meeting: June 18-20, 2013;
- 45th Council Meeting: November 5-7, 2013;
- 46th Council Meeting (tentative): Week of May 26, 2014.

CLOSURE OF THE MEETING

80. The meeting closed on November 15, 2012.