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Treasury Memo on GEF [Global Environment Facility] for Rome Conference February 24, 1993

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DEPARTMENT OF THE TREASURY
WASHINGTON

February 24, 1993

MEMORANDUM FOR TIM WIRTH
KATIE MCGINTY

FROM: LAWRENCE SUMMERS LS

I believe the interagency process has made good progress on U.S. positions for the Rome meeting of the GEF Participants. The attached paper was agreed at this morning's meeting with staff from your offices and other agencies. I believe it incorporates the points you made to me at our lunch last week.

We suggest that our approach at Rome should be to steer the discussion on key issues without coming to final closure. One of the topics on the Rome agenda is the issue of voting structure. Among the options being discussed, there is room for the approach favored by the U.S. -- votes reflecting membership and financial contributions complemented by balanced representation of developed and developing countries.

I look forward to seeing you next week.

Attachment

→ I spoke with Jim -- he rather not indicate that we met on Saturday & would want to just voice his personal opinions at this point

The Restructured Global Environment Facility

Principles

- The GEF must support and advance the objectives of the global environmental conventions, consistent with the agreed four focal areas of climate change, ozone depletion, biodiversity and international waters,

- The GEF must provide financing for the agreed incremental costs for achieving agreed global environmental benefits, which may be funneled through a range of modalities.

- The GEF must have a distinct personality which inspires the confidence of developing countries, advancing their environmental performance.

- The GEF must be transparent and accountable and support only the highest quality projects. The reforms recommended by the World Bank's Wapenhans Report should be incorporated into the restructured GEF. Reforms include:

  - An increased emphasis on implementation;
  - An increase in borrower ownership of, and accountability for, projects; and
  - Increased objectivity in project appraisal.

- The GEF must ensure cost-effectiveness in administration and project-related work.

- The GEF must have a balanced governance structure that ensures the sustainable political support of the both developed and developing countries.

- The GEF must reform and strengthen the environmental performance of the World Bank and other existing development institutions.

- The GEF must complement, but not substitute for, development agencies' own environmental work.

- The GEF's financing terms must be adopted to the project and country circumstances as appropriate.

- The GEF will continue to be served by UNDP, UNEP and the World Bank as the Implementing Agencies. UN specialized agencies, regional development banks and private sector/non-governmental organizations will be invited to participate as "Project Executing Agencies".

Links with the Conventions

- o A principal mission of the GEF will be to function as the funding mechanism for agreed global environmental conventions.

  - The GEF should look to the conventions to provide policy and program priorities, guidelines for project formulation and eligibility criteria.

  - The GEF should consider the full range of reports and information developed under the conventions in its decision-making.

- o The relationships between the GEF and the conventions may constitute a range of modalities. The form of the relationship between the GEF and each Convention would be determined in consultation by the GEF and the respective Conferences of the Parties.

Proposed Structure

Participants' Assembly

- o Participants in the GEF would convene annually as a Participants' Assembly. The Participant's Assembly would provide the opportunity for Participants to provide direction to the GEF.

  - Participants would review, *inter alia*, the GEF's annual report, statement of accounts and joint work program. Participants would ~~offer broad policy guidance to the GEF,~~ and would oversee the funding requirements of the GEF.

  - In the context of the Participants' Assembly, donors would decide on the need for, and level of, replenishment.

- o In principle, membership shall be open to all countries which support the social, economic and environmental objectives of the GEF, as determined by the Participants' Assembly.

  - A minimum financial contribution may be required from all Participants in order to purchase shares in the GEF. However, special accommodation can be made for the poorest countries in the form of foreign exchange/local currency contributions and/or deferred payments.

- o The Chairman of the Participants Assembly shall be elected by the Participants.

- The Participants' Assembly shall provide for observer status, where appropriate, for non-member states, non-governmental organizations, private sector groups and other sources.

GEF Executive Committee

- Participants would organize themselves into 20-30 mixed constituencies.

  - The larger donors would each appoint an Executive Director and Alternate, while other countries will form constituencies of their choosing. Each constituency will elect a single Executive Director and Alternate Executive Director.

  - The composition of the Executive Committee will reflect a balance between developed and developing countries and regions.

- Executive Directors would convene on a regular basis as a GEF Executive Committee in Washington, D.C.[1] The timing of GEF Executive Committee meetings would be determined by the workload.

- The GEF Executive Committee will serve without compensation for its administrative and travel costs.

- As delegated by the Participants' Assembly, the GEF Executive Committee would approve the GEF's policies and funding proposals prepared under the auspices of the GEF Secretariat or submitted by the Implementing Agencies, the conventions and/or other project-executing agencies as determined by the Participants.

  - The Executive Committee would normally make decisions based on consensus. Where consensus cannot be found, votes would be counted based on a combination of membership and contribution-weighted shares. Some actions, such as funding decisions, may require a special majority for passage.

- A GEF Director, who shall be nominated by the Implementing Agencies in consultation with the Executive Committee, shall serve as chief executive officer of the GEF.

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[1] Washington, D.C. would be the least cost option for supporting the GEF Executive Committee, regardless of whether the GEF has unique constituencies. A large number of countries have representatives serving as Executive Directors or Alternates at the development agencies in Washington. These representatives could also serve as GEF Executive Directors. See Appendix A for a listing of countries with Executive Directors or Alternates at the development institutions in Washington.

- The GEF Director shall also preside over the GEF Executive Committee's meetings, and in that capacity shall represent the views of the Implementing Agencies.

o Officers of the individual Implementing Agencies may attend the meetings of the GEF Executive Committee. Representatives of the conventions may also attend Executive Committee meetings, should such a representative be designated by the respective Conferences of the Parties.

o At the discretion of the Committee, other experts may be called to assist the Executive Committee in its deliberations. The Committee may provide for observer status, where appropriate, for non-member states, non-governmental organizations, private sector groups and other sources.

GEF Secretariat

o The GEF Secretariat would be based in Washington, D.C.

- The GEF Secretariat shall be headed by a GEF Director, as discussed above.

- Implementing Agencies will be encouraged to second personnel to the GEF Secretariat as needed, on a cost-reimbursement basis as may be determined.

o The GEF Secretariat shall be responsible, in consultation with the Implementing Agencies, other project-executing agencies and the conventions for the following:

- Policy coordination and institutional liaison;
- Coordination of project identification;
- Coordination of the scientific review of projects and policies;
- Coordination and support of the development of projects and preparation of project documents, including the dissemination of project documentation; and
- Supervision and monitoring of project implementation.

The Scientific and Technical Advisory Panel

o The Scientific and Technical Advisory Panel has made a major contribution to the quality of GEF investments through its review of GEF policies and projects and its development of project selection criteria. An independent STAP should continue to play an important role in the restructured GEF. It should be modified and strengthened as necessary to allow it to coordinate effectively with the scientific advisory bodies to the conventions and to advise on the quality of GEF policies and projects.

GEF Financing Terms and Cost Considerations

- The GEF shall operate on the basis of full cost recovery for its administrative operations. The GEF may finance its operations through one or more of the following:

  - The sale of shares to the Participants;
  - Service charges on disbursed and undisbursed funds;
  - Interest charges on disbursed funds, where appropriate;
  - Income from liquidity levels (as determined by the GEF Executive Committee); and
  - Technical assistance grants provided by governments, official and private donors.

Appendix A

The following countries have representatives serving in Washington D.C. as either Executive Directors or Alternate Executive Directors to at least one of the following: Inter-American Development Bank; the World Bank/International Development Association; the International Finance Corporation; and the Multilateral Investment Guarantee Agency.

Countries are listed in alphabetical order. Where a country serves as an Executive Director and an Alternate at different institutions, that country is listed twice. An "(A)" following a country's name designates Alternate Executive Director status.

Algeria	(IFC, Bank/IDA)
Argentina	(IDB, IFC, Bank/IDA)
Australia	(IFC, Bank/IDA)
Austria (A)	(IDB, IFC, Bank/IDA)
Bahamas (A)	(IFC, MIGA, Bank/IDA)
Bangladesh (A)	(IFC, MIGA, Bank/IDA)
Belgium	(IFC, Bank/IDA)
Bolivia (A)	(IDB)
Botswana (A)	(IFC, Bank/IDA)
Brazil	(IDB)
Brazil (A)	(IFC, Bank/IDA)
Canada	(IDB, IFC, MIGA, Bank/IDA)
Central African Republic	(IFC, MIGA, Bank/IDA)
Chile	(MIGA)
Chile (A)	(IDB, IFC, Bank/IDA)
China	(IFC, MIGA, Bank/IDA)
Colombia	(IDB)
Comoros (A)	(IFC, MIGA, Bank/IDA)
Costa Rica	(IDB)
Denmark (A)	(IDB)
Dominican Republic (A)	(IDB)
Ecuador (A)	(IDB, MIGA)
Egypt (A)	(IFC, MIGA, Bank/IDA)
France	(IDB, IFC, Bank/IDA, MIGA)
Gambia	(IFC, Bank/IDA)
Germany	(IFC, MIGA, Bank/IDA)
Ghana (A)	(MIGA)
Guatemala (A)	(IFC, Bank/IDA)
Hungary	(MIGA)
India	(IFC, Bank/IDA)
Indonesia	(MIGA)
Italy	(IDB, IFC, MIGA, Bank/IDA)
Jamaica (A)	(IDB)
Japan	(IFC, MIGA, Bank/IDA)
Kenya (A)	(MIGA)
Korea (A)	(MIGA)
Kuwait	(IFC, MIGA, Bank/IDA)
Libya (A)	(IFC, Bank/IDA)
Malaysia	(IFC, Bank/IDA)
Mexico	(IDB)
Myanmar (A)	(IFC, Bank/IDA)
Netherlands	(IFC, Bank/IDA)
Netherlands (A)	(MIGA)
New Zealand (A)	(IFC, Bank/IDA)
Nicaragua (A)	(IDB)
Nigeria	(MIGA)
Norway	(IFC, MIGA, Bank/IDA)
Panama (A)	(IDB)
Paraguay	(IDB)
Peru (A)	(IDB)
Philippines	(IFC, Bank/IDA)
Portugal (A)	(IFC, MIGA)
Spain	(Bank/IDA)
Saudi Arabia	(IFC, MIGA, Bank/IDA)
Switzerland	(MIGA)
Trinidad and Tobago	(IDB)
Turkey (A)	(MIGA)
United Kingdom	(IFC, MIGA, Bank/IDA)
United States	(IDB, IFC, MIGA, Bank/IDA)
Venezuela	(IDB, IFC)
Yugoslavia (A)	(IFC, Bank/IDA)