



## Global Environment Facility

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May 19, 2009

Dear Council Member,

I refer to my letter dated April 9, 2009, which requested Council's approval of a suggested reallocation of GEF-4 resources. The GEF Secretariat has received comments and questions from several Council Members, and these have been taken into consideration in the attached, revised document. For ease of reference, additional information in response to the questions raised has been given as footnotes to the text, and any changed sections have been highlighted in yellow.

The attached revised document entitled "*Reallocation of Remaining GEF-4 Resources*" is hereby re-submitted for Council's approval. As mentioned previously, the GEF Secretariat has applied a fairly conservative estimate of the remaining available resources in GEF-4 as a basis for the allocation projections presented in the attached document.

At the time of the Council meeting in November 2008, it was expected that the reallocation would be based on the distribution of additional resources. Unfortunately, the current situation is different and we have to cope with cuts. Since the last Council meeting in November, the global financial crisis and the ensuing drop in investment returns and fluctuations in currency exchange rates have significantly reduced the funds available for programming during the remaining part of GEF-4.

Much effort has been made by the Trustee, the Secretariat and the Agencies in the past six months to reach an agreement on the figures, but the process is still incomplete. Both the Secretariat and the Trustee continue to experience great difficulty in this process due to the basic incompatibilities between our system, resulting in considerable extra time and effort.

We believe that a means to transfer and reconcile data between the two systems must be devised, as the alternative implies a considerable and continuing investment of human resources for the reconciliation process, and we therefore welcome the upcoming independent review of the GEF financial systems to review and make recommendation on how to improve the systems.

As we approach closer to the end of GEF-4, the uncertainty on exchange rates and investment returns will diminish and it is likely, and indeed expected, that this will create room for additional programming. The GEF Secretariat will monitor the situation closely in consultation with the Trustee and will keep the Council updated, and propose additional reallocations, where needed.

In accordance with paragraphs 43 to 45 of the *Rules of Procedure for the GEF Council*, I hereby request the Council to approve the following decision by mail:

The Council, having reviewed by mail the document, *Reallocation of Remaining GEF-4 Resources (revised version dated May 19, 2009)*, agrees with the principles for allocating the remaining GEF-4 resources outlined in the paper. The Council mandates the Secretariat to implement the allocation of the remaining GEF-4 resources in accordance with these principles, and in collaboration with the Trustee, to undertake periodic reviews of the projected available resources and to adjust the allocations as needed.

Please be reminded that, in accordance with paragraph 45 of the *Rules of Procedure for the GEF Council*, for this decision to be approved, the Secretariat must receive affirmative replies from at least two-thirds of the Members and no objections by any member on or after the 2<sup>nd</sup> June, 2009.

With kind regards,

A handwritten signature in black ink, appearing to read 'Barbut', with a long horizontal stroke extending to the right.

Monique Barbut  
CEO and Chairperson