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Agenda Item 8

GEF BUSINESS PLAN FY05-07

Recommended Council Decision

The Council, having reviewed the *GEF Business Plan FY05-07*, document GEF/C.22/6, welcomes the plan's approach to planning so as to enhance impacts of GEF-supported activities. The Council approves the business plan, subject to comments made by the Council at the meeting, as a basis for programming of GEF resources, taking into account other related decisions of the Council, including its decision on developing a Performance-based Framework for Allocation of GEF Resources. The Council requests the GEF Secretariat to prepare a proposed GEF Business Plan FY06-08 for Council review and approval at its meeting in November 2004.

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Acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
CBD	Convention on Biological Diversity
CCD	Convention on Combating Desertification
CDI	Capacity Development Initiative (of the GEF)
EA	Executing Agency acting under the Policy of Expanded Opportunities
EBRD	European Bank for Reconstruction and Development
FAO	Food and Agriculture Organization of the United Nations
IA	Implementing Agency
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
LDCs	Least Developed Countries
M&E	Monitoring and Evaluation
MSP	Medium Size Project (of the GEF)
NAPA	National Adaptation Programs of Action
NIP	National Implementation Plan (of the Stockholm Convention on Persistent Organic Pollutants)
OP	Operational Program (of the GEF)
OPS2	Second Overall Performance Study of the Global Environment Facility
PBF	Performance-based Framework for Allocation of GEF Resources
PIR	Project Implementation Review (of the GEF)
POPs	Persistent Organic Pollutants
PRC	Project Review Criteria (of the GEF)
SAP	Strategic Action Program (in international waters)
SGP	Small Grants Program (of the GEF)
SIDs	Small Island Developing States
SMPR	Secretariat-Managed Project Review (of the GEF)
TDA	Transboundary Diagnostic Analysis (in international waters)
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations Industrial Development Organization
WB	World Bank
WSSD	World Summit on Sustainable Development (Johannesburg, Aug-Sept 2002)

INTRODUCTION

1. The GEF Business Plan is a rolling three-year plan of operations based on the mandate of the GEF derived from: (i) the GEF Instrument; (ii) the various global environmental conventions; and (iii) decisions and policy directions of the GEF Council.¹ The Business Plan is usually reviewed and approved by the Council during its Fall meeting, and sets the stage for review and approval of the annual GEF Corporate Budget presented to the Council at the following Spring meeting.

2. The Second Overall Performance Study (OPS2), and the Policy Recommendations of the Third Replenishment recommended that the GEF undertake strategic business planning to enhance impacts of GEF-supported activities. A strategic business planning framework, incorporating strategic priorities across the six focal areas, was incorporated in the Business Plan for the period FY04-06, approved by the Council at the May 2003 meeting. The Council requested the GEF Secretariat to prepare a GEF Business Plan FY05-07 for Council review and approval at its meeting in November 2003.

3. The proposed GEF Business Plan, for the period FY05-07, consists of four main pillars:

- (a) Strategic Business Planning, to direct resources towards enhancing impacts on the ground;
- (b) Strengthening Country Ownership and Enhancing Country Performance;
- (c) Building on the Partnership and Performance of the GEF Entities; and
- (d) Maintaining Institutional Effectiveness.

4. The Business Plan for the period FY05-07 will cover second half of the Third Replenishment Period (FY03-06);² projections are made for FY07, based on trends, and these could form the basis for resource projection exercises associated with a potential Fourth Replenishment period (FY07-FY10). The Business Plan has been prepared taking into account: (i) the Beijing Declaration of the Second GEF Assembly; (ii) the Policy Recommendations Agreed as part of the Third Replenishment of the GEF Trust Fund, endorsed by the Council; (iii) the recommendations of the Second Overall Performance of the GEF; and (iv) the WSSD Plan of Action.

5. The implementation of this business plan may be influenced by a few key strategy and policy issues under discussion in the GEF such as: (i) *Performance-based Framework for Allocation of GEF Resources* (GEF/C.22/12); (ii) *Strategic Approach to Enhancing Capacity*

¹ *Operational Strategy*, Global Environment Facility, Washington D.C: February 1996

² In August 2002, and subsequently, the Contributing Participants agreed that the size of the Third Replenishment should be SDR 2.365 billion (USD 3.0 billion). These are comprised of basic and supplementary contributions amounting to SDR 1,746 million (USD 2,215 million), credit for accelerated encashments in the amount of SDR 67 million (USD 85 million), carryover of previous GEF replenishment resources in the amount of SDR 450 million (USD 570 million), and projected investment income to be earned during the GEF-3 replenishment commitment period (FY03-06) in the amount of SDR 105 million (USD 130 million).

Building (GEF/C.22/8); and (iii) *A Strategic Approach to Enhance GEF Engagement with the Private Sector* (GEF/C.22/Inf.10). The current Business Plan, while reflecting the resource allocations proposed under the Capacity Building Strategy, does not reflect the implications, pending Council discussions and decisions, on other topics.

STRATEGIC BUSINESS PLANNING

6. Strategic Business Planning is an approach that directs application of GEF resources in a manner that catalyzes actions towards maximizing global environmental impacts. There are two major imperatives that motivated the GEF towards such an approach: (i) the need to factor portfolio experience more aggressively into programming; and (ii) in recent years, as demand for GEF support, for a variety of reasons, began surpassing the financial resources available to the GEF Trust Fund, there has been an increasing need to match demand for and supply of GEF resources, employing factors beyond simple eligibility criteria.³

7. Focusing GEF resources strategically is to improve responsiveness to the relevant conventions⁴ and national priorities of the recipient countries, towards maximizing impacts on the ground. The Strategic Business Planning Framework involves four elements:

- (a) Developing strategic priorities in each of the six focal areas of the GEF;
- (b) Projecting levels of financing for each priority;
- (c) Assigning targets and indicators for each priority, and developing appropriate monitoring and evaluating systems; and
- (d) Developing programming procedures.

This framework is reviewed and employed on an annual basis while preparing the GEF Business Plan.

Strategic Priorities

8. Strategic Priorities reflect the major themes or approaches under which resources are programmed within each of the focal areas. These priorities, consistent with the Operational Programs, guidance from the conventions, and country priorities in each focal area, reflect a sharpening to: (i) incorporate lessons from the portfolio as identified under the work of the GEF Monitoring and Evaluation Unit and the Implementing and Executing Agencies; (ii) Sequence

³ The GEF has programmed resources on the basis of submission of proposals from the Implementing Agencies and Executing Agencies that the Secretariat has reviewed for eligibility in accordance with Project Review Criteria. Under this approach, projects submitted for GEF support were approved when they met the eligibility criteria.

⁴ GEF is the financial mechanism of the Convention on Biological Diversity (CBD) and the United Nations Framework Convention on Climate Change (UNFCCC), and functions under the guidance of, and is accountable to, the Conferences of the Parties of these Conventions. In addition, GEF, on an interim basis, pending entry into force of the Convention, operates the financial mechanism of the Stockholm Convention on Persistent Organic Pollutants, and it has been agreed that the GEF may be available as a financial mechanism to the Convention to Combat Desertification (CCD).

responses to Convention priorities to meet the evolving needs of the Conventions and to program for synergies across the various conventions; (iii) respond to national priorities; (iv) incorporate scientific and technical advice; and (iv) fill in portfolio gaps.

9. These strategic priorities have been developed by the Focal Area Interagency Task Forces, comprised of staff from the Secretariat, the Implementation Agencies, and STAP members. These strategic priorities are not mutually exclusive; many projects will address more than one strategic priority in a focal area; some may address multiple focal areas.

10. The strategic priorities in the GEF focal areas remain the same as described in the GEF/C.21/10, *GEF Business Plan, FY04-06*, and the accompanying information document, GEF/C.21/Inf.11, *GEF Strategic Planning: Directions and Targets*. In response to Council request, more information is provided in this Business Plan regarding the capacity building strategic priority. In addition, a new strategic priority, *Piloting an Operational Approach to Adaptation*, has been included in the climate change focal area in response to guidance from the UNFCCC.

Capacity Building

11. In the GEF Business Plan FY04-06, discussed and approved by the Council at the May 2003 Council meeting, Capacity Building was presented as a strategic priority of the GEF that cuts across all the focal areas. The Council noted that the resource allocation to capacity building be reviewed in light of the capacity building strategy to be reviewed and approved by the Council at the November 2003 meeting, and reflected in the FY05-07 Business Plan.⁵ This section describes the main elements of the Capacity Building Strategy.

12. The proposed approach is guided by the aim of providing support for nationally determined and prioritized capacity building needs consistent with the relevant Conventions and the objectives of the GEF in a cost-effective manner, with clearly identified indicators of progress and achievement. Consistent with GEF practices of the past ten years, it is recognized that regular projects are the most effective means for sustainable capacity development, and it is recommended that this approach be continued, and even enhanced further. However, it is also recognized that the guidance from the Conventions and the deliberations of the international community have indicated that this approach has not always been sufficient to meet all capacity building needs, and that pathways for free-standing projects should be made available for activities not readily covered by regular projects and for countries where the pipeline of regular projects is weak. The strategic approach proposes that countries requiring special attention should be provided with an opportunity to address critical needs in a decentralized manner, and that over-arching technical support for capacity building should be available to all recipients.

13. In pursuance of this approach, the proposed strategic approach has the following elements

- (a) Operational principles to guide project formulation;

- (b) Modalities: strengthened capacity building in GEF projects, new pathways for sectoral and cross focal area capacity building, and capacity building through country programs;
- (c) Enabling activities: collaboration with Conventions on redefining coverage of enabling activities;
- (d) Indicators: development of indicators to assess capacity built;
- (e) Over-arching technical support; and
- (f) Program management.

14. These elements, which build upon the extensive work done during the Capacity Development Initiative, further consultations on the proposal presented to the Council in May 2001, and the deliberation/decisions on various international forums, are described in detail in GEF/C.22/ 8, *Strategic Approach to Enhancing Capacity Building*, presented for Council discussion. The Business Plan for the FY04-06 period provided some indicative projections for support for capacity building activities. Looking forward to the FY05-07 period, it is anticipated that about 25 to 30 percent of resource allocation in the GEF focal areas will be directed towards: (i) capacity building activities within the context of regular projects; and (ii) targeted capacity building within the focal areas, undertaken with resources already programmed in the Business Plan within the focal areas. In addition, it is projected that about US\$ 60 million will be programmed during the FY05-07 period for crosscutting capacity building activities outside the focal areas. For details regarding the resource projections and allocation, refer to GEF/C.22/6, *GEF Business Plan, FY05-07*.

Piloting an Operational Approach to Adaptation

15. It is proposed that a strategic priority “Piloting an Operational Approach to Adaptation” be introduced in the climate change focal area. Activities financed under this priority will build upon and demonstrate linkages to activities in the other focal areas by expanding opportunities within those focal areas to demonstrate important adaptation response measures, consistent with the evolving guidance from the UNFCCC.⁶

16. UNFCCC guidance to the GEF has evolved in the last decade from the limited scope of funding a compilation of basic information on vulnerability and adaptation related to national communications (Stage I, COP1) to a broader list of capacity building measures, also through national communications (Stage II, COP4). At COP7, the GEF was also requested to provide support for establishing pilot or demonstration projects to show how adaptation planning and assessment can be practically translated into projects that will provide real benefits, and may be integrated into national policy and sustainable development planning, on the basis of information provided in national communications, or of in-depth national studies, including National

⁶ This approach will also build upon the previous GEF financing provided for analysis of vulnerability and adaptation and initial response measures, e.g. “Caribbean: Mainstreaming Adaptation to Climate Change.”

Adaptation Programs of Action (NAPA), and of the staged approach endorsed by the COP in its decision 11/CP.1.

17. At COP7, Parties to the Convention also agreed to the establishment of two new funds related to the UNFCCC (the Special Climate Change Fund and the Least Developed Countries Fund) as well as a new fund related to the Kyoto Protocol (the Adaptation Fund). The GEF was requested to operate these new funds. Each of these funds are likely to include within its scope the financing of adaptation activities.⁷ However, to date, only the Least Developed Countries Fund is operational and financing, in accordance with Convention guidance, is primarily limited to the preparation of NAPAs. At COP8, the Parties also acknowledged that increasing importance of adaptation measures as an objective of the Convention.

18. Initial elements of a proposed GEF approach to support projects that address vulnerability and adaptation to climate change were presented at the May 2003 Council meeting in the information paper, GEF/C.21/Inf.10, *A Proposed GEF Approach to Adaptation to Climate Change*. The approach described in the paper is based on three key components: (i) support provided under the GEF climate change focal area for those adaptation activities which fall within the context of national communications; (ii) support for projects that link climate adaptation strategies with other measures that achieve other GEF-supported global environmental benefits;⁸ and (iii) greater consideration to climate change impacts as a long term risk to the sustainability of GEF projects, for example those related to conservation of particularly vulnerable ecosystems. The adaptation approach paper foresees a framework of an integrated, flexible and phased approach based on country needs and circumstances.

19. The GEF is currently supporting a variety of activities in support of adaptation under its other focal areas such as biodiversity, international waters, and integrated approach to ecosystem management. For example, within the biodiversity focal area, assessment of ecosystem vulnerability to climate change can be financed in the context of threat analysis. In addition to these activities, it is proposed that dedicated resources be provided under the climate change focal area so as to demonstrate through a more focused and strategic approach projects the link between climate change adaptation strategies and other measures that achieve GEF-supported global environmental benefits.

20. Given the growing importance of this issue in the climate change debate and the increasing demand from countries with high vulnerability to climate change, and recognizing that financing under the new climate change funds is not immediately available, it is proposed that limited resources (US\$50 million in the FY05-07 period, which amounts to US\$30 million in this Third Replenishment period) be allocated within the climate change area to advance learning on how best to respond to adaptation. By piloting approaches to adaptation, it is expected that

⁷ At the 18th session of the Subsidiary Body for Implementing, there was agreement that top priority should be given to funding of adaptation activities to address the adverse impacts of climate change from the resources of the Special Climate Change Fund. (see document GEF/C.22/4)

⁸ This component emphasizes the importance of linkages among focal areas and relates to projects in GEF non-climate operational programs that take into account climate change impacts and/or identify adaptation measures in their design and implementation.

the GEF will be well placed to operationalize future guidance from the convention on adaptation without prejudice to which fund is designated as the source of funding for such activities.

21. In order to achieve maximum impact with these resources, it is proposed that the GEF collaborate with the Implementing Agencies to elaborate a strategic programming approach identifying the types of adaptation activities to be demonstrated or piloted emphasizing linkages with other focal areas of the GEF. This programming approach will be developed in full cooperation with the focal area teams in the GEF that will be responsible for developing the projects in consultation with the climate change team, especially the biodiversity, international waters, and land degradation teams, and should serve to guide project development.

22. The resource envelope for “piloting an operational approach to adaptation” will be provided by re-allocating resources within the overall envelope for the climate change focal area.⁹ Despite the proposed commitment for adaptation by reallocation within the climate change area, the overall envelope for climate change focal area, minus adaptation, will be higher than the three previous years and consistent with country demands reflected in the pipeline.¹⁰ An information paper, describing the operationalization of this strategic priority, will be presented for Council review at the May 2004 meeting.

Projected Levels of Financing

23. Based on the programming guidelines prepared for the Third Replenishment discussions, resources actually approved through projects during FY03, and firm projections for FY04, projected levels of financing have been prepared for each of the strategic priorities for the FY05-07 period. It is to be noted that the Third Replenishment covers only the FY05-06 period; consequently, projections for FY07 are tentative, based on trends, and could be used as a basis for resource projections for a potential Fourth Replenishment covering the FY07-FY10 period. In addition to capacity building and the six focal areas, financial projections have also been provided for activities in the following thematic areas: (i) integrated approach to ecosystem management;¹¹ and (ii) Small Grants Program.¹² The projected levels of financing under each of the focal/thematic areas can be found in **Table 2**.

⁹ The reallocations are reflected in Table 2.

¹⁰ The flexibility to allocate the proposed resources within the climate change focal area is due to slower than planned growth in project pipeline for some of the strategic priorities such as the transport priority.

¹¹ Activities funded under this theme, besides meeting the criteria of Operational program 12, will have to meet the strategic priorities in at least two of the focal areas.

¹² In response to recommendation from the Second GEF Assembly “to seek to expand the SGP to more countries and in particular to Least Developed Countries and Small Island Developing States,” it is proposed that the SGP expand at a faster rate with a target of 10 new participating countries each year during the business plan period. The SGP resource allocation is projected to expand at about 30 percent each fiscal year.

Table 2. Strategic Priorities and Projected Levels of Financing

Strategic Priorities	Millions of US Dollars					
	FY03 (actual)	FY04	FY05	FY06	TOTAL FY03-06	FY07
Capacity Building						
Enabling Activities (biodiversity, climate change, and POPs)	26	76	13	13	128	25
Cross-cutting Capacity Building	15	13	20	20	68	20
TOTAL	41	74	38	43	196	45
Biodiversity						
Catalyzing Sustainability of Protected Areas	95	90	102	106	393	110
Mainstreaming Biodiversity in Production Landscapes and Sectors	55	55	70	72	252	75
Capacity Building for Implementation of the Cartagena Protocol on Biosafety	5	15	25	30	75	35
Generation and Dissemination of Best Practices for Addressing Current and Emerging Biodiversity Issues	17	18	14	15	64	15
TOTAL	172	178	211	223	784	235
Climate Change						
Transformation of Markets for High Volume Products and Processes	20	25	25	25	95	30
Increased Access to Local Sources of Financing for Renewable Energy and Energy Efficiency	54	30	35	37	156	40
Power Sector Policy Frameworks supportive of Renewable Energy and Energy Efficiency	21	30	36	40	127	50
Productive Uses of Renewable Energy	50	35	35	40	160	45
Global Market Aggregation and National Innovation of Emerging Technologies	28	20	22	30	100	30
Modal Shifts in Urban Transport and Clean Vehicle/Fuel Technologies	17	4	23	40	84	25
Piloting an Operational Approach to Adaptation			10	20	30	20
Short-term Measures	1	4	5	2	12	2
Total	191	158	191	212	764	242
International Waters						
Catalyze Financial Resources for implementation of agreed actions	62	23	81	25	191	94
Expand global coverage with capacity building foundational work	25	43	45	35	148	67
Undertake Innovative Demonstrations for reducing contaminants and addressing water scarcity	5	47	7	0	59	28
TOTAL	92	113	133	60	398	189
Ozone - Methyl Bromide Reduction	2	6	4	0	12	6
Persistent Organic Pollutants						
Targeted Capacity Building	0	7	2	0	9	0
Implementation of policy/regulatory reforms and investments	24	4	40	46	114	45
Demonstration of innovative and cost-effective technologies	21	14	30	25	90	30
TOTAL	45	25	72	71	213	75
Sustainable Land Management						
Capacity Building	0	25	35	30	90	35
Implementation of innovative and indigenous sustainable land management practices	0	40	60	60	160	65
TOTAL	0	65	95	90	250	100
Integrated Approach to Ecosystem Management	39	48	13	12	112	54
Small Grants Program	28	35	47	60	170	65
Total -- Focal Areas and Themes	611	716	790	783	2900	981
Corporate Services	23	23	25	29	100	30
GRAND TOTAL	634	739	815	812	3000	1041

Note: the above allocations include IA/EA fees for project cycle management services.

Notes on Table 2

- The total resources available during the GEF-3 period (FY03-06) is US\$ 3000 million.
- The projections for FY07, which fall in the first fiscal year of a potential GEF-4 (FY07-10) are based on trends.
- The total resources available for the POPs focal area during GEF-3 period includes US\$213 million in the focal area and an additional US\$37 million under enabling activities for a total of US\$250 million.
- The resource projections for the Small Grants Program are estimated to grow at approximately 30 percent per year. In response to request from the Second GEF Assembly, the program is planning to expand at a faster rate with a target of 10 new participating countries every year. A SGP strategy document will be presented to the Council in May 2004 with details of resource implications. If there are additional resource requirements over and above the projections in this Business Plan, it is proposed that such resources be made available proportionately from the other focal areas.

24. While financing levels have been projected for the period FY05-07, it is important to note that the projections are more defined across the strategic priorities during the first year of the plan (FY05) as they are based on clearer expectations regarding projects from the pipeline to be submitted for workprogram inclusion; for the later years of the plan (FY06-07), the financial projections are intended to be flexible across strategic priorities and years, but maintained broadly within the respective focal areas and themes. These projections¹³ will be reviewed every year and adjustments made based on emerging program priorities,¹⁴ the realities of the project pipeline, and mainstreaming opportunities in the agencies. The projections for FY07 are provided as a basis for beginning to plan resource requirements for the Fourth Replenishment Period covering FY07-FY10.

Performance Targets and Monitoring and Evaluation

25. Performance targets have been established within each focal area for each of the strategic priorities for the GEF-3 period (FY03-06). Indicators for these targets have been based on the indicators that have been developed or are under development under the Monitoring and Evaluation Unit. Progress towards these targets will be measured in terms of indicators for objectives and outputs established by projects during the planning period. Contained within these indicators are the performance measures to be achieved by Fall 2004 as per the agreements at the Third Replenishment. Details of strategic priorities, projected levels of financing,

¹³ Across strategic priorities within focal areas, and across the different focal areas.

¹⁴ To accommodate guidance from the Conventions and decisions of the Council.

performance targets and indicators can be found in GEF/C.21/Inf.11, *GEF Strategic Planning: Directions and Targets*.¹⁵

Programming Procedures

26. The Secretariat reviews each new project concept to ascertain that: (i) it is eligible according to the *Project Review Criteria*; (ii) it addresses¹⁶ a strategic priority; and (iii) it can be accommodated within the projected level of financing for that priority. Only projects that meet all three criteria are recommended to the CEO for inclusion in the Work Program. The CEO will approve medium-sized projects on this basis as well.

27. The Secretariat and the Implementing and Executing Agencies work collectively to program projects to improve the predictability of resources. The Secretariat, on the basis of information provided by the Trustee, proposes (and revise if the financial situation so requires) the levels of resource availability for each scheduled Work Program in the business plan period, and projects the levels of approvals expected under expedited procedures. The Agencies undertake their own business planning and prepare plans for their respective areas of engagement with the GEF, taking into account the overall business plan for the GEF. The Secretariat, prior to start of each fiscal year, leads an annual pipeline management exercise, through the inter-agency task forces, to review the plans of the agencies and to program and update the submission of project proposals according to strategic priorities over the business plan period taking into account: (i) the expected resource request for each proposal; (ii) the expected completion date for the preparation phase of each proposal; (iii) any need to build in learning and feedback from other projects; (iv) the projected level of financing for that strategic priority; and (v) mainstreaming opportunities in the agencies.

28. These rolling programming procedures are designed not only to project overall GEF engagement over the business-planning period, but also to provide the agencies with a degree of predictability and flexibility in accessing GEF resources that they require to effectively implement their respective business and operational plans.

Performance-based Allocation of GEF Resources

29. During the Third Replenishment of the GEF, Participants requested “the GEF Secretariat to work with the Council to establish a system for allocating scarce GEF resources within and among focal areas with a view towards maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide.”¹⁷ Furthermore, the policy recommendations stated, “the system should establish a framework for allocation to global environmental priorities and to countries based on performance. Such a system would provide for varied levels and types of support to countries based on transparent assessments of those elements of country capacity, policies and practices

¹⁵ Targets for the FY07-10 period are expected to be established as part of the programming exercise associated with a potential Fourth Replenishment.

¹⁶ With portfolio representativeness, filling gaps, and avoiding duplication.

¹⁷ GEF/C.20/4, Summary of Negotiations on the Third Replenishment of the GEF Trust Fund, Annex C, para. 16

most applicable to successful implementation of GEF projects. This system should ensure that all member countries could be informed as to how allocation decisions are made.”¹⁸

30. Following discussion of the Issues Note, GEF/C.21/8, *Programming for Resources for Enhanced Performance and Results at the Country Level*, at the May 2003 Council meeting, Council recommended the establishment of a Technical Working Group, chaired by the GEF Secretariat, to develop and present to the Council elements of a Performance-based Framework (PBF) for allocation of GEF resources at the November 2003 Council meeting. The Technical Working Group was formed in July 2003; a first draft of the PBF report was distributed to the Council on Sept 15, 2003. Based on feedback received and further work by the Technical Working Group, a final report, GEF/C.22/ 11, *Performance-based Framework for Allocation of GEF Resources*, is presented for Council discussion.

31. Further work on this topic will be developed based on Council discussion and decisions at the November 2003 meeting.

OTHER ELEMENTS THAT SUPPORT THE STRATEGIC PLANNING FRAMEWORK

32. The resource allocation and programming framework described above is supported by a range of activities undertaken by the GEF family of institutions to: (i) strengthen country ownership; (ii) build on the partnership and performance of GEF partners; and (iii) enhance institutional effectiveness. This section contains a description of these activities as planned over the FY05-07 period.

Strengthening Country Ownership

Focal points and constituency coordination

33. Pending a Council decision on new proposals to strengthen focal points and support Council members, the GEF will continue to provide support to focal points and Council members that so request in accordance with the decision approved by the Council in May 1999. An analysis of the support provided to date was presented to the Council at the May 2003 meeting in document GEF/C.21/Inf.12, *Review of GEF Assistance to National Focal Points*, and resources necessary to continue this support in FY04 were provided in the GEF Corporate Budget.¹⁹ An evaluation of this activity is currently underway and a report will be distributed to Council members during January 2004 for review and comments. Based on the evaluation and other inputs, proposals to further strengthen support focal points and constituency coordination will be presented to the Council at the May 2004 meeting for review and approval.

¹⁸ Ibid, para 18.

¹⁹ Council approved 0.372 million to continue the special initiative for enhancing country level coordination and country ownership of GEF-financed activities by strengthening national operational focal points.

Country Dialogue

34. An independent evaluation of the country dialogue workshops was completed in October 2002; in addition, each workshop was evaluated through a combination of written questionnaires completed by participants, observations from resource persons from the GEF and its implementing agencies, and conversations between the project and the GEF focal points. All of the above observations recommend that the dialogue workshops should expand and continue to evolve based upon feedback from host countries and the strategic evolution of the GEF.²⁰

35. In May 2003, Council approved a project, “GEF National Consultative Dialogue Initiative” with the UNDP as the Implementing Agency, to be implemented over a four-year period as a collaborative effort involving the GEF National Focal Points, the GEF Secretariat, and the Implementing Agencies, to continue and enhance the efforts of the GEF to (i) promote in-depth understanding of the GEF’s strategic directions, policies and procedures; (ii) strengthen country coordination and ownership in GEF operations and share lessons learned from project implementation; and (iii) achieve greater mainstreaming of GEF activities into national planning frameworks and coordination and synergies amongst the GEF focal areas and convention issues at the national level. The project will also contribute to strengthening the capacity of national focal points. The first phase of the project will be focused on eleven constituency-based, sub regional workshops to immediately engage all countries in understanding the strategic priorities and operational modalities of the GEF and to solicit countries views on the design and scope of country level consultations during the second phase of the project. It is proposed that up to 45 national consultative dialogues are organized during the second phase of the project.

Building on the Partnership and Performance of GEF Entities

36. The GEF will continue to build on the partnership, facilitated by the GEF Council and the Secretariat, with the three Implementing Agencies, the seven Executing Agencies,²¹ and the Scientific and Technical Advisory Panel (STAP)

Comparative advantage

37. The GEF Instrument (para 22) refers to the need for the Implementing Agencies to operate “within their respective areas of competence.” The Executing Agencies have been granted opportunities to work directly with the GEF on the basis of criteria covering the strategic match, capacity and complementarity. The comparative advantages of the GEF agencies with regard to the current business needs are listed in Table 3.

²⁰ OPS2 also noted the effectiveness of the country dialogue workshops.

²¹ The Executing Agencies comprise the four major regional development banks (the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank) and three specialized agencies (the International Fund for Agricultural Development (IFAD), the Food and Agriculture Organization of the United Nations (FAO), and the United Nations Industrial Development Organization (UNIDO).

Table 3. Comparative Advantages of the GEF Agencies

Agency	Comparative Advantage
Implementing Agencies	Particular emphasis as per GEF Instrument
UNDP	Capacity building and technical assistance projects at the country or multi-country level.
UNEP	Catalyzing the development of scientific and technical analysis and advancing environmental management on a regional or global basis, in complementarity with UNEP's own programs.
World Bank Group	Investment Projects at the country or multi-country level, mobilizing private sector resources, and policy dialogue and policy reforms in various economic sectors.
Executing Agencies	Comparative Advantage in relation to GEF-specific Business Needs
Regional Development Bank	Investment projects at the country or multi-country level and mobilizing private sector resources within their respective regions.
FAO	Persistent organic pollutants in the agriculture sector.
IFAD	Land degradation, with emphasis on smaller countries, particularly in Africa, through community-based natural resource management and poverty alleviation and national execution arrangements.
UNIDO	Persistent organic pollutants in the industrial sector.

Streamlining

38. At the May 2002 meeting, Council reviewed GEF/C.19/8, *Clarifying the Roles and Responsibilities of GEF Entities*. After taking note of the agreement among the GEF Secretariat and the Implementing Agencies regarding lead responsibilities for institutional roles and functions within the GEF, the Council requested, “the Secretariat to amend the note to take into account future decisions on matters that would influence the matrix (such as the role of the executing agencies and the monitoring and evaluation unit) and to present the revised note to the Council for endorsement at its meeting in May 2003.”²² An information document, GEF/C.21/Inf.5, *Institutional Roles and Functions within the GEF*, was included for the May 2003 Council meeting.

Co-financing

39. Co-financing is key to GEF efforts to have a significant positive impact on the global environment as it:

- (a) Expands the resources available to finance global environmental objectives;

²² Para 20, Joint Summary of Chairs, GEF Council Meeting, May 2002.

- (b) Indicates the strength of the commitment of the Implementing Agencies and Executing Agencies (as well as that of counterparts and beneficiaries); and
- (c) Provides a link to sustainable development, builds country and counterpart commitment, promotes ownership, and secures shared accountability.

40. The Implementing and Executing Agencies have the responsibility to provide or generate these additional resources. Co-financing information is recorded for each project at the time it is submitted for Council approval and is described in the *Operational Report on GEF Programs*. Cumulative cofinancing is reported to Council in the Secretariat's cover notes to each Work Program. To address a number of issues concerning the consistency of definition, reporting, and policy concerning co-financing, the Council, in May 2001, requested a note on cofinancing of GEF projects. In the *Policy Recommendations agreed as part of the Third Replenishment of the GEF Trust Fund*²³ in August 2002, the Participants in the Third GEF Replenishment also recommended that a co-financing policy be prepared by the Secretariat, in consultation with the Implementing and Executing Agencies, for consideration by the Council at its meeting in October 2002. A paper was prepared in response to those requests, and submitted to the Council for review at that meeting. After review, Council requested the Secretariat to revise the paper taking into account the comments made and to submit the revised paper to Council for its review and approval in May 2003. The revised paper, GEF/C.20/6/Rev.1, *Co-financing*, was reviewed by the Council at the May 2003 meeting. The Council approved the proposed policy and procedures and requested the Secretariat, in consultation with the Agencies to: (i) implement the policy when preparing any future workprograms for Council approval and when proposing any projects eligible for CEO approval under expedited procedures; and (ii) to report to the Council in each GEF Business Plan on the overall progress in implementing the policy.

41. Since Council approval of the co-financing policy and procedures, the definitions of different types of co-financing and co-financing requirements have been disseminated to the Implementing and Executing Agencies; co-financing requirements, in terms of degrees of confirmation of commitments from co-financiers, have been included as explicit criteria when reviewing GEF projects, and monitored for each project in the GEF database. The GEF monitoring and evaluation unit, is tracking actual co-financing realized, at project mid-term and completion, through the annual project implementation review; in addition, review of co-financing is an explicit item in the Secretariat-managed project review (SMPR).

Enhancing Partnerships with Executing Agencies

42. In response to Council request, a review of experience of Executing Agencies under Expanded Opportunities has been conducted, based on an examination of Council documents, the earlier *Review of Progress under Expanded Opportunities for Executing Agencies* (GEF/C.15/4), materials provided by the Executing Agencies, the Overall Performance Studies, and interviews with representatives of the Implementing and Executing Agencies and the staff of the GEF. The review documents the contributions of the Executing Agencies to the GEF, identifies the issues affecting the performance of Executing Agencies in the context of the GEF,

²³ See GEF/R.3/37.

and sets forth some future considerations for Executing Agencies. Details of the review are presented in GEF/C.22/ 12, *Review of Experience with Executing Agencies*.

Report on Agency Commitment and Mainstreaming.

43. In the previous business plans, a number of indicators were established for describing the deepening commitments of the Implementing Agencies. Note that the indicators are to facilitate common reporting, and no targets have yet been established. Some of the indicators are qualitative, and most indicators will be progressively refined on the basis of experience. Reporting on these indicators, for an initial selected set of Agencies, was planned for the November 2003 meeting; given the items on the Secretariat's agenda, this could not be achieved. It is proposed for the November 2004 meeting. It is proposed that targets be established on the basis of experience in November 2004.

Table 4. Agency Performance Criteria

Indicator	Source of Measurement or Determination
<u>Mobilization of resources</u>	
Indicators of commitment and adequacy of resources	
Direct cofinance of GEF projects ²⁴	Agency's GEF portfolio
Leverage of additional project funding for global environmental benefits and of relevant policy changes	Agency's GEF and regular portfolio
<u>Mainstreaming and partnership</u>	
Indicators of catalytic action	
Replication of successful GEF projects; follow up to the recommendations and opportunities from GEF projects; incorporation of global environmental priorities in non-GEF financed activities	Regular work program
Adoption of policies incorporating global environmental considerations in their regular work program	Published policies
Depth and diversity of collaboration with executing agencies, including NGOs	GEF portfolio
Extent to which agency focused on the use of institutional comparative advantage	Portfolio analysis, and stated comparative advantage
Partnership with other Implementing Agencies or Executing Agencies	Joint projects in the GEF portfolio; PIR; Consultations
<u>Institutional structure and capacity</u>	
Indicators of operational effectiveness and efficiency	

²⁴ See *Cofinancing* GEF/C.19/Inf.8 for relevant definitions of cofinance and leverage related to essential baseline support and global environmental objectives.

Indicator	Source of Measurement or Determination
Implementation performance	PIR and other evaluation reports; project and program indicators; SMPRs
Provision of corporate services (IAs only)	
Internal dissemination of GEF policies and procedures (e.g., through participation in GEF Familiarization Seminars, internal training on GEF, or other support systems)	Agency and Secretariat reports
Program incentives and budgetary systems to promote GEF activities and other global environmental action	Budget system; internal allocation of GEF fees and corporate budget allocations (if any)

Incorporating Scientific and Technical Knowledge

44. The key entity for providing scientific and technical advice to the GEF is the Scientific and Technical Advisory Panel (STAP). The overall strategic objectives for STAP III, in the third phase of the GEF are:

- (a) To identify, and provide strategic advice on scientific and technical priorities, the scientific and technical coherence of GEF operational programs and strategies, and on emerging issues and gaps relevant to the implementation of operational programs.
- (b) To provide scientific and technical advice aimed at strengthening the scientific and technical quality and underpinning of GEF projects
- (c) To enhance and improve the collaboration with other scientific and technical bodies, communities and private sector in areas of relevance to the GEF priorities.
- (d) To advise on capacity building efforts in science and technology relevant for development and implementation of GEF projects
- (e) To advise on targeted research relevant to the GEF strategic priorities
- (f) To advise on monitoring and evaluation indicators for focal areas and crosscutting issues.

45. STAP's triennial work programme (FY03-05)²⁵ reflects the GEF's requirements for scientific and technical advice. It was drawn up under new co-ordination arrangements in close consultation with the GEF Secretariat and Implementing Agencies, and was mutually agreed before it was put to the GEF Council in March 2003.

²⁵ Included in GEF/C.21/Inf.16, *Report of the Second Meeting of STAP III, March 5-7, 2003, Washington D.C.*

46. STAP's delivery of strategic advice to the GEF during the FY04 period includes: (i) guidance on best practices in the restoration and rehabilitation of drylands; (ii) new guidance on OP#7; (iii) a biosafety source book; (iii) some targeted research proposals for protected areas; (iv) advice on groundwater; (v) advice on emerging innovative technologies for the destruction and decontamination of obsolete POPs; (vi) advice on the use of bio-indicators and analytical methods for the analysis of POPs in developing countries; and (viii) strategic advice on the interlinkages between biodiversity, climate change, land degradation, and international waters.

47. STAP is also engaged in the M&E workprogram, reviewing Targeted Research proposals, participating in a number of ad hoc studies, for example, performance-based allocations and local benefits. And a new STAP roster of experts will be established in November 2003, with new operational guidelines.

48. Looking ahead to FY05, STAP is working on: (i) biofuels; (ii) upstream/downstream linkages; (iii) a further biosafety source book; (iv) guidelines for mainstreaming biodiversity in production landscapes and seascapes; and (v) advice on food production and land management in drylands.

Management of the GEF Trust Fund

49. On December 19, 2002, by Resolution No. 2000-0005, the Executive Directors of IBRD authorized IBRD to act as Trustee in respect of the resources made available for the GEF-3, which include GEF Trust Fund ("Fund") resources carried over from previous replenishments.

50. For the period covered by this Business Plan, the Trustee will continue to discharge its fiduciary responsibilities, as set out in Annex B of the Instrument for the Establishment of the GEF. In doing so, it will administer Fund resources, monitor the implementation of the GEF-3 Replenishment Resolution and continue ongoing efforts to update and refine the financial management and risk management processes governing Fund resources, improve coordination and collaboration with implementing and executing agencies and enhance transparency in financial reporting on Fund resources.

51. In addition, upon the request of the Council, and in cooperation with the CEO/Chairman of the GEF Secretariat, the Trustee will initiate, organize, negotiate and finalize a potential fourth replenishment of the GEF Trust Fund. As part of the replenishment process, it will provide, in consultation with the GEF Secretariat, analysis on necessary funding and operational programming levels for the commitment period of the fourth replenishment (FY07-FY10); report on the implementation of the GEF-3 Replenishment Resolution and funding status of the GEF Trust Fund and provide technical advice on burden-sharing, exchange rate, and other financial issues associated with donor contributions. It will also formulate the replenishment agreement and related documentation.

52. In order to provide sustained and reliable funding for GEF operations, the Trustee anticipates, subject to receiving the necessary request from the Council, launching the first meeting (planning meeting) of the fourth replenishment in the spring of 2005. The planning meeting would be followed by a series of (four to five) meetings with potential donors. Negotiations on the fourth replenishment would be expected to be completed by FY06.

Partnership with the private sector

53. The Monitoring and Evaluation Unit has completed a *Review of GEF's Engagement with the Private Sector*, which has been presented to the Council as an Information Document, GEF/C.22/Inf.6. Based on the findings of this review, feedback from the Council, and other experiences regarding work with the private sector, the GEF Secretariat, in collaboration with the Implementing Agencies and Executing Agencies, has prepared a document presenting the process of developing an approach to engaging the private sector – GEF/C.22/Inf.10, *A Strategic Approach to Enhance GEF's Engagement with the Private Sector*. Based on Council feedback, a more detailed version of the approach will be presented to the Council for the May 2004 meeting.

Maintaining Institutional Effectiveness

54. As the foundation for global environmental action and as a new model for international cooperation, GEF commits itself to continuously improving the effectiveness and efficiency of its own organization, relationships, and operations on a number of fronts – institutional efficiency, financial efficiency, operational efficiency, drive for results, and communications with partners.

Institutional Efficiency

55. The Second Overall Performance Study (OPS2) recommended²⁶ that the GEF Council consider a review of options to strengthen GEF's institutional structure, including providing it with a separate legal status. At its May 2002 meeting, the Council discussed GEF/C.19/8.Add.1, *Administrative Arrangements to Enhance the Functional Independence and Effectiveness of the GEF Secretariat*. The Council fully supported the administrative arrangements and understanding presented in the paper. Progress has been made on this subject:

- (a) The CEO has been provided with signing authority effective May 9, 2003; and
- (b) A more consistent human resources policy has been developed for staffing of the GEF Secretariat, which provides for a more streamlined recruitment process with the support of the Human Resources function of the World Bank.

56. Further, following the recommendation of OPS2, a special human resources planning exercise, and approval of the Council, the professional resources and management capacities of the GEF Secretariat have been improved in strategic planning, operations coordination, and country support. The Secretariat is currently going through a major transparent recruitment process to fill nearly 10 vacancies that have resulted from staff departures in the last few months, several of them a result of expiration of employment contracts.

57. The GEF Secretariat is substantially understaffed to deal with the expanding demands being made upon it. The CEO/Chairman is proposing to undertake a staff planning exercise and present to Council detailed proposals in May 2004.

²⁶ Recommendation 14 (Chapter 7), *Report of the Second Overall Performance Study of the Global Environment Facility*

Financial Efficiency

58. Fee-based system. The fee-based system is an important enhancement of the financial management of GEF that took effect from July 1, 1999. GEF/C.20/5, *An Interim Report on a Revision of the Fee structure*, was discussed at the October 2002 meeting. The Council requested the GEF Secretariat, in consultation with the Implementing Agencies, to prepare a proposal for a revised fee structure for Council review and approval at its meeting in May 2003. The details of a revised fee-system were presented in GEF/C.21/10, *A Proposal for a Revised Fee Structure*, before the Council for discussion in May 2003. The Council agreed that the current system for determining project fees should continue to be applied, and requested that the Secretariat prepare for its review in May 2004 a paper on the fee system that will consider:

- (a) A distinction in the fees depending on project type (for instance, full size free standing projects, full size projects associated with a larger project of an agency, full size projects with cofinancing, medium-sized projects, and enabling activities)
- (b) In reviewing fees for medium-sized project and enabling activities, the comparative advantages of the agencies and mechanisms designed to address the expected growth in the number of medium-sized projects;
- (c) Mechanisms that could lead to more administrative efficiency; and
- (d) Different incentives to reduce fees such as: competitive bidding, a set level of fees with the possibility of bonuses based on defined criteria; a floor for fees above which greater scrutiny would be given to the justification for higher fees; and use of the corporate budget as an incentive to reduce fees.

The Council requested the Secretariat to monitor the trend in fees and report on such trends at its meeting in May 2004.

59. Corporate services. GEF units²⁷ now budget for their provision of corporate services (i.e., non-project direct). Corporate budgets for GEF units are substantiated in terms of the corporate services required for carrying out the overall policy agenda. The corporate services do not include any project or project coordination costs, as these are covered by the fee system. The categories of corporate service, which have been discussed extensively in previous Corporate Business Plans and Corporate Budget documents, currently cover:

- (a) Institutional Relations (e.g., work with other institutions required for the GEF mandate);
- (b) Policy and Program Development and Coordination (e.g., assistance through the interagency task forces on the Program Status Reviews, inputs and consultation on policy papers prepared for Council, and support for STAP; but not coordination of agency GEF programs or mainstreaming);

²⁷ The six organizational units are: the GEF Secretariat (including the M&E team), the three Implementing Agencies, STAP, and the Trustee.

- (c) Outreach/Knowledge Management/External Relations (e.g., contributions to coordinated GEF outreach at project workshops, exhibitions, meetings and other opportunities; contributions to GEF publications);
- (d) Management & Finance (e.g., assistance with developing the fee system and establishing the corporate aspects of the project-tracking and management information systems of GEF; but not project management and coordination that is covered by fees);
- (e) Monitoring & Evaluation (e.g., assistance with developing GEF indicators and on the impact studies; but not individual project supervision and monitoring that is covered by fees).

Details of the corporate services and associated budgets can be found in GEF/C.21/11, *GEF Corporate Budget FY04*. Corporate Budget of US\$ 22.978 million was approved for FY04 at the May 2003 Council meeting; A Corporate Budget for FY05 (based on a Corporate Workplan) will be presented for Council discussion and approval at the May 2004 meeting.

Operational Efficiency

60. OPS2 recommended²⁸ that the GEF should manage delivery of global environmental benefits by initiating an institution-wide shift from an approval culture to one that emphasizes quality and results. This should be achieved through a partnership approach that expands the use of interagency task forces to address program and policy issues and adopts broader teamwork practices to support project implementation and evaluation.

61. Streamlining the project cycle. Further updating of the GEF Project Cycle paper and the associated *Project Review Criteria* to incorporate the relevant Council decisions and understandings since June 2000 -- including any Council decisions taken in response to the recommendations of OPS2 -- has been presented in GEF/C.22/Inf.9.

Drive for Results

62. GEF is a learning-based institution; its operational principles require it to ensure that its programs and projects are monitored and evaluated on a regular basis, to maintain sufficient flexibility to respond to experience gained from monitoring and evaluation, and to emphasize its catalytic role.²⁹ Under the Policy Recommendations at the Third Replenishment of the GEF Trust Fund, agreed to by the Council, it was recommended that the Monitoring and Evaluation (M&E) Unit be strengthened and made independent (GEF/C.20/7). The Terms of Reference for an independent M&E was presented in GEF/C.21/12 and approved by the Council in July 2003. A nomination for the Chief of the independent M&E unit is being presented to the Council. The workprogram of the Monitoring and Evaluation Unit was presented in GEF/C.21/13.

²⁸ Recommendation 1 (Chapter 7). *op. cit.*

²⁹ See Box 1.1, *Operational Strategy*, p.2. Operational principles 10, 5, and 9 respectively.

63. Over the business plan period, the workprogram of the M&E unit intends to focus on:
- (a) Third Overall Performance Study (OPS3). A Terms of Reference for OPS3 is included in the M&E report to the Council. It includes both the scope of the Study and the proposed modalities for executing it.
 - (b) Evaluations and Impact studies. These studies/reviews will support and feed into the independent Third Overall Performance Study of GEF;
 - (c) Special studies. To provide advice to management on a range of key issues such as private sector modalities, cofinancing and leverage, financing instruments for biodiversity, the functioning of the NGO network, processing of MSPs, and the human impacts of projects a number of special studies have been included in the workprogram. In particular, The M&E unit has undertaken a review of the current private sector approaches, presented to the Council for discussion. In consultation with the Implementing and Executing Agencies and with private sector actors, the Secretariat will identify perceived constraints to the private sector working with the GEF and prepare a new strategy to better engage the private sector, taking into account previous evaluated practices and policies (May 2004);
 - (d) Project Implementation Reviews (PIRs). The annual PIRs will be complemented by the Secretariat-Managed Project Reviews (SMPRs), in coordination with Implementing and Executing Agencies, to support the shift from an approvals culture to one based on quality of implementation and output;
 - (e) Knowledge management systems. To disseminate findings and to provide formal feedback to the programming process, M&E will work with the Secretariat and the Implementing and Executing Agencies. Evaluation findings will become part of a formal “feedback loop” that will help Interagency Task Forces program project proposals to best address strategic priorities and in-country project officers and field staff to share field experience; and
 - (f) Monitoring and evaluation systems. Work will continue on developing indicators, including indicators for the strategic priorities within the focal areas and M&E standards and guidelines for the agencies.

Follow-up to Recommendations to Third Replenishment and OPS2

64. An initial Action Plan, GEF/C.21/Inf.4, to follow-up to the recommendation of the Third Replenishment and OPS2 was presented to the Council in May 2003. Based on feedback received, a revised Action Plan, GEF/C.22/ 7, is being submitted for Council consideration.

Communications

65. The GEF’s unique structure and the diverse, open, and transparent partnerships that it is pioneering require many new management techniques. Free flow of information, in both directions, between the GEF and its partners is essential to nurturing these partnerships. A

Communications Strategy will be developed for implementation in collaboration with the Implementing Agencies as a Corporate GEF-wide strategy. Implementation will be budgeted for as a corporate budget, with shares to be provided to the Implementing Agencies for their participation in clearly identified and agreed roles. This strategy will bring coherence to the activities currently being undertaken by the Secretariat and the Implementing Agencies. The Communications Strategy will support countries, conventions, programming and field staff, partner agencies and other agencies. It will be prepared in a way that is as open, participatory, and as transparent as possible. It will be developed in three phases:

66. Workplan and outline. The Workplan will include a detailed methodology for engaging in the strategy development process, a description of the context and purpose of the strategy, the key questions to be addressed in the consultations, an identification of the stakeholders to be consulted, the methods for engaging them, and where responsibilities reside. It will benefit from brainstorming sessions between the GEF Communications team and the Implementing Agencies as well as STAP to identify the issues that should be included in the second phase, the constituencies to address and how they could be most effectively consulted. A draft Workplan will be submitted by November 14. The final Workplan along with an outline for the Strategy will be completed by November 30.

67. Web/electronic outreach strategy. A strategy for improving the electronic outreach effectiveness of the GEF and an action plan to maximize the use of the GEF website in order to meet the needs of the GEF's clients and staff more effectively will be developed, also in a participatory process.

68. Needs assessment, consultations and finalization of strategy. In this phase, interviews and focus groups will be conducted as a means of engaging GEF stakeholders and gathering the perspectives and needs of the different groups that form part of and/or interact with the GEF. These consultations will inform the analysis of the communications environment. Simultaneously, communications practices of the Implementing Agencies and other partners will be examined. Based on this process, a first draft of the GEF Communications Strategy will be produced and circulated among those consulted. Follow-up phone calls, meetings, and group discussions will be held as appropriate to ensure that stakeholders identify with the proposed strategic directions, audiences, etc. Comments from this validation would be integrated into the final document.

69. Implementation of the Communications Strategy will be detailed in the Corporate Workplan for FY05 and budgetary resources requested under the FY05 Corporate Budget.

Knowledge Management.

70. The Second Overall performance Study (2001) called for GEF to enhance a quality and results-oriented institutional culture, and encouraged cross-learning processes be strengthened and accelerated, particularly on an interagency basis. The GEF Replenishment called for a formal "feedback loop" to be established between evaluation findings and management activities to ensure more systematic use of the results and outputs of the GEF projects for the improvement of planning and subsequent activities.

71. While there is no universally accepted definition of knowledge management, it denotes the process of creating and transforming what we know into how we do business, i.e. from knowing to action, innovation and change. It is a process of *internalizing* what is learnt and turning it into behavioral or organizational change and improved performance. While any approach to knowledge sharing must be tailored to each specific organization, successful cases tend to have common components: (i) A focus on **performance** enhancement, especially via collaboration; (ii) **Simplification** of systems and clarification of mission; (iii) **Document management**; and (iv) **Networking**.

72. The Secretariat, in collaboration with the Implementing and Executing Agencies, STAP, and the independent M&E unit, would like to begin developing a KM management framework in the GEF, building on existing framework in the partner agencies. The first step (or a pilot) would be to develop a framework and initial set of products for knowledge management within the GEF, taking into account existing or planned knowledge management functions within the GEF Secretariat, M&E Unit, and the Implementing and Executing Agencies. Drawing upon what the agencies, GEF, and M&E are already doing, the aim would be to develop the framework with respect to Council and GEF operational mandates and pilot the framework in two focal areas (climate and biodiversity) by: (i) collecting and synthesizing the most relevant knowledge to start; and (ii) specifying the outputs and clients for knowledge management in those two focal areas. It is proposed that the outlines of an overall approach, a workplan for a pilot in FY05 (and associated budget request) be presented to the Council in May 2004.

FUNDS THAT ARE MANAGED BY THE GEF OTHER THAN THE GEF TRUST FUND

73. The Conference of the Parties to the UNFCCC, at its meeting in Marrakech in November 2001, recommended that the GEF be responsible for the management of three funds established under the Convention: (i) the Least Developed Countries' (LDC) Fund; (ii) the Special Climate Change Fund; and (iii) the Adaptation Fund under the Kyoto protocol.

74. The COP also decided that the least developed countries should be assisted in preparing national adaptation programs of action (NAPAs) to address urgent and immediate needs and concerns related to adaptation to the adverse effects of climate change. It also requested GEF, as the entity operating the financial mechanism of the UNFCCC, to provide funding for preparing the NAPAs, as the first activity under the LDC fund.

75. In December 2002, the GEF Council responded to these COP decisions by authorizing GEF support to LDCs for the preparation of NAPAs with anticipated funds from contributions towards the LDC funds. As of September 30, 2003, agreements have been concluded between Canada, Finland, Ireland, Norway, Spain and Sweden donors and the International Bank for Reconstruction and Development (the World Bank), as Trustee of the LDC Fund, with respect to administration of donors' contributions to the LDC Fund (the Trust Administration Agreements). Discussions are ongoing between the Trustee and the Implementing Agencies with respect to finalizing procedures for the transfer and disbursement of the LDC Fund funds and appropriate reporting requirements. The Trustee anticipates finalizing these agreements by November 2003. As of September 2003, total contributions received amounted to US\$ 8.7 million; 22 NAPAs amounting to US\$ 4.4 million and two medium-sized projects totaling 0.84 million have been supported until now.