



# Global Environment Facility

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GEF Council  
May 19-21, 2004

Agenda Item 9

## INSTITUTIONAL RELATIONS

## **Recommended Council Decision**

The Council reviewed document GEF/C.23/6, *Institutional Relations*, and welcomes the information that is provided on the progress that has been made under the international environmental conventions. The Council notes, in particular, the recent decisions and guidance that was approved by the Conference of the Parties to the Convention on Biological Diversity (Kuala Lumpur, February 2004) and the Conference of the Parties to the UNFCCC (Milan, December 2003). The Council requests the GEF Secretariat and the Implementing and Executing Agencies to continue to seek opportunities to work with recipient countries to develop and implement projects consistent with the decisions of the conventions. The GEF Secretariat is requested to maintain its consultations with the Implementing Agencies and Convention Secretariats on how best to ensure continued responsiveness to the relevant decisions of the conventions and to keep the Council regularly informed of the progress that is being made.

The Council approves the staggering of the terms of appointment of members of the STAP, and approves the list of reconstituted STAP III Members for the period July 1, 2004, to June 30, 2006, presented in Annex D of document GEF/C.23/6.

The Council confirms that the practices of the Trustee with regard to monitoring the GEF resources made available to the Implementing Agencies, as described in paragraphs 11 to 15 of document GEF/C.23/Inf. 3, are satisfactory to meet the Trustee's obligations under the Instrument to monitor the application of budgetary and project funds so as to ensure that the resources of the Trust Fund are being used in accordance with the Instrument and the decisions taken by the Council. The Council agrees that the Trustee should follow similar arrangements with respect to monitoring of GEF resources made available to the Executing Agencies.

The Council also agrees that, given the importance of the agencies' financial reports to the Trustee's ability to discharge its responsibilities under the Instrument, the Trustee may suspend commitment and disbursement of GEF funds that have been allocated by the Council and/or the CEO, as appropriate, to any agency which is out of compliance with its reporting obligations to the Trustee under the Financial Procedures Agreement the agency entered into with the Trustee, when non-compliance has continued for a period of not less than thirty days after written notification from the Trustee. Such suspension may continue until such time as the non-compliance is resolved to the satisfaction of the Trustee.

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1. This document entitled, *Institutional Relations*, replaces the report previously presented to the Council under the title, *Relations with Conventions*. This change has been made to reflect the fact that the scope of the paper has been evolving to include information on GEF's relations and activities with respect to other international institutions and organizations beyond simply the global environmental conventions. The broader scope of the paper also provides an opportunity to report on issues requiring Council's decision concerning the institutional relations among the GEF partners. The revised title more accurately reflects the enlarged scope of the paper.
2. The document reports on developments of interest to the GEF occurring since the GEF Council meeting in November 2003 within the context of the Convention on Biological Diversity (CBD), the UN Framework Convention on Climate Change (UNFCCC), the UN Convention to Combat Desertification in those countries experiencing serious drought and/or desertification, particularly in Africa (UNCCD), the Stockholm Convention on Persistent Organic Pollutants (the Stockholm Convention), and the Montreal Protocol on Substances that Deplete the Ozone Layer (the Montreal Protocol).
3. The document also covers GEF collaboration with the UN Commission on Sustainable Development (CSD).
4. In addition, the document briefly summarizes developments concerning the composition of STAP. More information on the reconstitution of STAP is contained in information document GEF/C.23/Inf.10.
5. The document also includes information on arrangements that have been agreed between the Trustee and the Implementing Agencies regarding access to GEF funds as well as the procedures through which the Trustee exercises its responsibility to monitor the application of budgetary and project funds so as to ensure that the resources of the Trust Fund are being used in accordance with the Instrument and the decisions taken by the Council. The Trustee is seeking Council's confirmation that such arrangements are satisfactory and should be applied to the Executing Agencies benefiting from direct access to the GEF Trust Fund. The Trustee is also seeking Council's agreement that it may suspend commitment and disbursement of GEF funds when an agency is out of compliance with its reporting obligations to the Trustee. More information on the Trustee is presented in document GEF/C.23/Inf.3.

## **I. CONVENTION ON BIOLOGICAL DIVERSITY**

6. The seventh meeting of the Conference of the Parties (COP7) to the Convention on Biological Diversity was held from February 9-20, 2004, in Kuala Lumpur, Malaysia. The Conference of the Parties to the Convention serving as the first Meeting of the Parties to the Cartagena Protocol (COP/MOP) took place from February 23-27, 2004, immediately after COP7. Decisions of direct relevance to the GEF from COP7 are attached as Annex A.<sup>1</sup>

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<sup>1</sup> Decision VII/20. *Further guidance to the financial mechanism*; and Decision VII/22. *Arrangements for the third review of the effectiveness of the financial mechanism*.

## **GEF participation in COP7**

7. The GEF was represented at COP7 by the CEO and Chairman as well as the staff of the GEF Secretariat and the Implementing Agencies. A special publication, *Picturing the GEF, A Decade of Action for the Global Environment*, was produced summarizing GEF ten-year efforts in support of the implementation of the Convention. Three side events were organized highlighting GEF experiences in biodiversity, and representatives of the GEF family participated in many other events organized during the conference.

8. The GEF monitoring and evaluation unit organized an exchange of views on lessons and experiences gained from GEF projects as a contribution to its program study on biodiversity.

9. Delegations were invited to participate in a field trip to GEF projects in Sabah, Malaysia on February 14-15. The field trip was generously financed by the Government of Switzerland, and the UNDP Office in Malaysia kindly made all the logistical arrangements.

10. Before COP7, the GEF Secretariat participated in a series of preparatory meetings in Montreal, Canada, including: the ninth meeting of the Subsidiary Body for Scientific, Technical and Technological Advice (SBSTTA); the second meeting of the Ad Hoc Technical Expert Group on Access and Benefit Sharing; and the third meeting of the Ad Hoc Open-ended Intersessional Working Group on Article 8(j).

## **Guidance to the financial mechanism and follow-up actions**

11. The outcomes of the Conference of the Parties are reflected in 36 decisions. Two of these are of particular relevance to the GEF: Decision VII/20. *Further guidance to the financial mechanism*, and Decision VII/22. *Arrangements for the third review of the effectiveness of the financial mechanism* (see Annex A).

12. Under decision VII/20, the GEF is requested in general to “provide financial resources to developing country Parties, taking into account the special needs of the least developed countries and the small island developing States amongst them, for country-driven activities and programmes, consistent with national priorities and objectives and in accordance with the mandate of the Global Environment Facility, recognizing that economic and social development and poverty eradication are the first and overriding priorities of developing countries, and taking fully into consideration all relevant decisions from the Conference of the Parties.”

13. The guidance more specifically addresses requests for GEF support with regard to: marine and coastal biological diversity; monitoring and indicators; the ecosystem approach; biological diversity and climate change; Global Taxonomy Initiative; sustainable use; invasive alien species; protected areas; the strategic plan of the convention; technology transfer and technological and scientific cooperation; the Millennium Development Goals; national reporting; education and public awareness; and access to genetic resources and fair and equitable sharing of benefits.

14. The GEF Secretariat and the Implementing Agencies have begun an internal review of the new guidance to assess how the guidance can best be implemented. On the basis of an initial review by the GEF Secretariat, it appears that most of the additional guidance can be addressed through the preparation and implementation of country driven project proposals consistent with the existing operational programs, strategic priorities, and modalities and procedures. However, the guidance on national reporting and access to genetic resources and benefit sharing will require further consideration and might lead to proposals for new action. The GEF will report to the Council at its meeting in November 2004 on any such action that may need to be undertaken after consultations with the Implementing Agencies. The Convention Secretariat has submitted a number of ideas to the GEF as to how to implement the guidance, and these ideas will also be taken into account in the GEF follow-up work.

*Third review of the effectiveness of the financial mechanism.*

15. Decision VII/22. *Arrangements for the third review of the effectiveness of the financial mechanism* addresses ways and means in which the Conference of the Parties will conduct its third review of the GEF as its financial mechanism. The decision includes guidelines, methodology, criteria, and the necessary procedures to carry out the review. The GEF, through the monitoring and evaluation unit, will work closely with the Convention Secretariat in assisting this process. As previously agreed, the GEF Secretariat will make available any information, reports, and studies which may assist the Convention in its successful review.

**First Meeting of the Parties to the Cartagena Protocol on Biosafety**

16. The Cartagena Protocol on Biosafety entered into force on September 11, 2003. As of February 2004, 87 countries were Parties to the Protocol. The Conference of the Parties to the Convention, serving as the first Meeting of the Parties to the Cartagena Protocol, focused on setting up an operational framework for the effective implementation of the Protocol

17. At COP/MOP, the GEF Secretariat and the Implementing Agencies organized two side events to provide information on the implementation of the GEF's Initial Strategy on Biosafety. An information document was also prepared on *GEF Support for Capacity Building in Biosafety*. This document is before the Council as GEF/.23/Inf.7.

*Guidance to the GEF on Biosafety*

18. Decision VII/20. *Further guidance to the financial mechanism* (attached in Annex A) incorporates decisions prepared by the COP/MOP regarding support for biosafety activities.

19. The COP/MOP welcomed the proposed UNEP-GEF project *Building Capacity for Effective Participation in the Biosafety Clearing-house*.

20. The decision addresses eligibility of countries for purposes of financial assistance with regard to the Cartagena Protocol. In this respect, the Council may recall that the Conference of the Parties at its first meeting adopted the following eligibility criteria for purposes of the

Convention: “only developing countries that are Parties to the Convention are eligible to receive funding upon the entry into force of the Convention for them.”<sup>2</sup>

21. The decision of the COP provides the GEF with broader eligibility criteria for purposes of the Cartagena Protocol. As a first criterion, paragraph 21 (a) of the decision specifies that: “all developing countries, in particular the least developed and small island developing states among them, and countries with economies in transition, which are *Parties to the Protocol*, are eligible for funding by the Global Environment Facility (emphasis added).” The decision then provides a second criterion (paragraph 21 (b)) that “all developing countries, in particular the least developed and small island developing states among them, and countries with economies in transition, which are *Parties to the Convention and provide a clear political commitment towards becoming Parties to the Protocol*, shall also be eligible for funding by the GEF for the development of National Biosafety Frameworks and the development of national Biosafety Clearing-houses and other necessary institutional capabilities to enable a non-Party to become a Party. Evidence of such political commitment shall take the form of a written assurance to the Executive Secretary that the country intends to become a Party to the Protocol on completion of the activities to be funded. (emphasis added).”

22. This second criterion of providing financing to a country which is a party to the Convention but is not yet a party to the Protocol is consistent with the approach that the GEF has followed for purposes of assisting countries to develop National Biosafety Frameworks under its initial strategy. The decision now calls for the GEF to apply a similar approach to countries that request assistance for the development of national Biosafety Clearing-houses.

23. To respond to this request, the GEF proposes that the project *Building Capacity for Effective Participation in the Biosafety Clearing House of the Cartagena Protocol*, approved by the Council at its meeting in November 2003 and implemented by UNEP, be expanded to provide assistance similar to that which is now available under the project for 50 Parties to the Protocol to all countries requesting such assistance that meet the eligibility criteria approved by the COP/MOP. The GEF will present to the Council for approval a request to include in the project the necessary additional resources after consultations with UNEP on how best to meet the additional requests.

24. With regard to evidence of political commitment for non-parties called for in the decision, the GEF Secretariat will consult with the Convention Secretariat on the procedures by which the Convention Secretariat can expeditiously inform the GEF of countries that are eligible to receive financing consistent with paragraph 21 (b) of the decision.

25. Paragraph 21 (b) also calls upon the GEF to provide funding for “other necessary institutional capabilities to enable a non-Party to become a Party”. The scope of these activities is unclear to the GEF at present, although during deliberations on the decision it was requested that the GEF assist countries exporting living modified organisms to strengthen their institutional capabilities to comply with the Protocol. GEF assistance under its initial strategy has been focused on building the capacity of countries of import. Recognizing that this would engage the

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<sup>2</sup> Decision 1/2, *Financial Resources and Mechanism*.

GEF in a new area of activity, it is recommended that the GEF Secretariat and the Implementing Agencies, in consultation with the Convention Secretariat, collaborate with countries seeking such assistance to identify the appropriate scope of GEF financing, and that projects seeking to provide assistance to build or strengthen institutional capabilities beyond those piloted under the initial strategy be submitted to the Council for approval.

26. The decision also invites the GEF to extend support for demonstration projects on implementation of the national biosafety frameworks to other eligible countries. The Council will recall that under its initial strategy, in the interest of gaining further experience and developing good practices so as to promptly and effectively assist Parties after the entry into force of the Protocol, it was agreed that the GEF should finance a limited number of pilot country-based demonstration projects in countries with sufficient capacity that they did not require assistance under the global project to develop a national biosafety framework. The purpose of these projects was to pilot more in-depth and country specific capacity building efforts aimed at the implementation of the country's national biosafety framework.

27. The GEF Council approved 12 demonstration projects to support countries in the implementation of their national biosafety frameworks. Two projects (Malaysia and Mexico) are implemented by UNDP, eight projects are being implemented by UNEP (Bulgaria, Cameroon, China, Cuba, Kenya, Namibia, Poland and Uganda) and two projects (India and Colombia) are being implemented by the World Bank.

28. Consistent with the new guidance, the GEF will work with Parties to the Cartagena Protocol that have completed preparation of their national biosafety frameworks to strengthen their capacity to implement their biosafety frameworks, drawing upon the experience that has been gained through the demonstration projects. The GEF Secretariat will be consulting with the Implementing Agencies on how best to build upon the lessons learned through the demonstration projects in providing such assistance to other eligible Parties.

29. The COP/MOP decision specifically calls upon the GEF to “provide additional support for the development and/or strengthening of existing national and regional centers for training; regulatory institutions; risk assessment and risk management; infrastructure for LMO detection, testing, identification and long-term monitoring; legal advice; decision-making; handling of socio-economic considerations; awareness-raising and technology transfer for biosafety.” While many of these issues are currently addressed within the demonstration projects, the GEF will undertake an assessment to identifying any gaps in the assistance that has been provided to date. The GEF will ensure that any projects that go beyond the scope of the present demonstration projects will be presented to the Council for consideration before approval so as to ensure that the Council is fully supportive of the nature and extent of the assistance to be provided by the GEF.

30. The COP/MOP, in establishing the voluntary fund for the roster of experts on biosafety, also invited the financing mechanism for the Protocol to assess whether it can have a role to play in the roster of experts<sup>3</sup>.

## **II. UN FRAMEWORK CONVENTION ON CLIMATE CHANGE**

31. The ninth session of the Conference of the Parties (COP9) to the UNFCCC was held in Milan, Italy, from December 1-12, 2003. Five decisions relevant to the GEF were adopted by COP9 and these are attached in Annex B. <sup>4</sup>

32. Discussions at COP9 on the GEF were quite positive, and the decision on the GEF report welcomes and notes the activities highlighted in the report. The strategic priorities on capacity building and piloting an operational approach to adaptation approved by the Council received positive feedback by the Parties to the Convention.

33. The GEF Secretariat, in collaboration with the GEF Implementing Agencies and Convention Secretariat, organized three side events at COP9 concerning national communications, the LDC Trust Fund, and a question and answer session with the CEO/Chairman of the GEF.

### **Additional guidance to the financial mechanism**

34. Guidance provided by COP9 to the GEF has been compiled in decision 4/CP.9 *Additional guidance to an operating entity of the financial mechanism*. It includes guidance on national communications, capacity building, strategic priority on adaptation, transfer of technology, education, training and public awareness, and global observing systems for climate change.

35. To address the additional guidance, the GEF Secretariat and the Implementing Agencies have been reviewing current practices and considering whether new measures need to be agreed to ensure that the guidance is implemented. Two issues identified in the guidance will require further consultation with the Implementing Agencies as to how best to respond to the guidance and these are described below (see paragraphs 44 - 45). On-going approaches to other issues identified in the guidance will be continued and strengthened where necessary in response to country driven requests for projects. These include actions on national communications, capacity building, education, training and public awareness, and the GEF strategic priority on piloting an operational approach to adaptation.

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<sup>3</sup> Decision BS-I/3. *Information-sharing and the Biosafety Clearing-House (Article 20): modalities of operation of the Biosafety Clearing-House.*

<sup>4</sup> Decision 4/CP.9 *Additional guidance to an operating entity of the financial mechanism*; Decision 9/CP.9 *Capacity building*; Decision 3/CP.9 *Report of the Global Environment Facility to the Conference of the Parties*; Decision 6/CP.9 *Further guidance for the operation of the Least Developed Countries Fund*; and Decision 5/CP.9 *Further guidance to an entity entrusted with the operation of the financial mechanism of the Convention, for the operation of the Special Climate Change Fund.*

36. On national communications, the global project to support the preparation of national communications provides for monitoring of the implementation of the project through a number of institutional arrangements. The GEF Secretariat will meet with UNDP, UNEP and the World Bank, as necessary, to ensure that the agencies' activities meet targets and strategic priorities set out by the GEF Council, and that the program is implemented without delay and according to the specified benchmarks. Meetings will be held approximately every 12 months for the review of annual progress reports submitted by UNDP, UNEP, and the World Bank.

37. The program's *Advisory Committee* will focus on co-ordination issues. The Committee will meet at regular intervals to keep fully apprised of the implementation of the program. Each Implementing Agency and the Convention Secretariat will be represented on the committee. Each agency will be requested to provide a full status report of the progress of the enabling activities it is managing. In particular, agencies should report on difficulties arising from implementation of GEF projects in countries, experiences of monitoring and evaluation, and progress on capacity building and mainstreaming. The committee will review activities of the National Communication Support Program (NCSP) on an annual basis, according to country needs. NCSP will gather country feedback and modify its work program accordingly. With this information, the Support Program will target its services in countries with implementation difficulties and will be responsive to country needs. The UNFCCC Secretariat will report to this Committee on the activities of the Consultative Group of Experts on non-Annex I National Communications to ensure full co-ordination and non-duplication of activities. The Committee will be chaired by the GEF Secretariat.

38. The *Project Implementation Committee* (UNDP, UNEP, World Bank) will be responsible for reviewing management of technical issues. It will meet every month through teleconference to ensure that close collaboration takes place between the Implementing Agencies for all activities.

39. The guidelines prepared by the GEF Secretariat and the Implementing Agencies for preparation of the next round of national communications<sup>5</sup> make clear that any country that requires financing greater than that which can be provided through the expedited procedures of the global project may apply for financing in accordance with the project cycle of the GEF for regular full-sized projects.

40. With regard to capacity building, the new strategic approach to capacity building provides ample tools for the GEF to be fully responsive to country requests for capacity building projects consistent with the capacity building framework approved by the UNFCCC. The new pathway of targeted capacity building in a focal area is expected to be particularly helpful in this regard. GEF support will be available to Parties to the convention with economies in transition for the implementation of the capacity-building framework pursuant to the eligibility criteria specified in paragraph 9(b) of the Instrument (i.e., countries that are eligible to borrow from the World Bank or an eligible recipient of UNDP technical assistance through a country allocation (target for the resource assignment from the core line – TRAC) will be eligible for GEF financing.)

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<sup>5</sup> See *Operational Procedures for the Expedited Financing of National Communications from Non-Annex I Parties*, GEF/C.22/Inf.16, November 2003.

41. The GEF Secretariat is also collaborating with the Convention Secretariat in the preparation of the review on the capacity building framework to be considered at the tenth session of the Conference of the Parties. The GEF Secretariat and the Implementing Agencies will also consult with the Convention Secretariat in their work on developing indicators for capacity building in the climate change area.
42. The GEF will continue its support for education, training and public awareness relating to climate change. As noted in the GEF report to the eighth session of the Conference of the Parties, public awareness and education activities and community involvement and participation are very important elements of the GEF supported capacity building. Among the 111 enabling activity projects financed by the GEF in the area of climate change, 106 projects have public awareness components. Ten of the 14 full-sized projects for enabling activities include public awareness components. In addition, many of the medium-sized and full-sized projects in the climate change area include components directed at public awareness and education.
43. Information on the operationalization of the strategic priority on piloting an operational approach to adaptation is before the Council in document GEF/C.23/Inf.8. This paper was developed in collaboration with the Implementing Agencies and STAP. The Convention Secretariat also contributed to discussions on the paper and is collaborating with the GEF to analyze and summarize the results of the vulnerability and adaptation sections of first and, when available, second national communications.
44. One point in the guidance that may require new procedures is the modalities for providing support to those countries that have yet to receive financial assistance for technology needs assessments. In the past, such assistance was provided through “top-ups” to enabling activities for first national communications. Since many of these projects are now completed, a different, but equally expeditious, modality is being sought.
45. The GEF was further invited to give appropriate consideration to addressing the priority needs identified by non-Annex I Parties in their regional action plans relating to global observing systems for climate, noting the existence of other bilateral and multilateral agencies and mechanisms that support global climate observing systems. The GEF will keep following and supporting the discussion process on global climate observation systems at convention meetings, including SBSTA, and will present specific follow-up actions to the Council in due course.

### **Climate change funds**

46. COP9 also adopted decisions on the new climate change funds: decision 6/CP.9 *Further guidance for the operation of the Least Developed Countries Fund*; and decision 5/CP.9 *Further guidance to an entity entrusted with the operation of the financial mechanism of the Convention, for the operation of the Special Climate Change Fund* (see Annex B). The GEF Secretariat and the Implementing Agencies are collaborating on how best to respond to the guidance on the new funds.
47. Under the LDC Trust Fund, the GEF is currently assisting least developed countries to prepare national adaptation programs of action (NAPAs). (See document GEF/C.23/10, *Status*

*Report on the Least Developed Countries Trust Fund for Climate Change, before the Council.)* The GEF will be preparing operational guidelines for funding of the implementation of NAPAs taking into account the elements identified in the decision adopted by COP9. Proposals concerning the operational guidelines will be presented to the Council at its meeting in November 2004.

48. COP 9 also provided guidance to the GEF for the operation of the Special Climate Change Fund (SCCF). In particular, the guidance provides that the fund should support activities related to adaptation and technology transfer.<sup>6</sup> The GEF was invited to make the necessary arrangements to mobilize resources to make the fund operational without delay. The GEF is preparing programming guidance as to how the decision of the COP could be operationalized and will use the programming proposals as a basis to mobilize resources for the SCCF prior to the tenth meeting of the Conference of the Parties to be convened in December 2004. Two meetings of potential donors will be convened during 2004.

49. The GEF will report to the Council at its meeting in November 2004 on the results of the meetings and will share with the Council programming proposals for the fund. This information will also be reported to the COP at its tenth session in December 2004.

#### **Determination of funding for the implementation of the Convention**

50. COP8 of the UNFCCC requested the Convention Secretariat, in consultation with the GEF Secretariat, to prepare a report on the steps to be followed on the determination of funding necessary and available for the implementation of the UNFCCC as provided for in the annex to the Memorandum of Understanding between the COP and the GEF Council.

51. The Convention Secretariat has prepared, in consultation with the GEF Secretariat, a document in response to the decision for consideration at the forthcoming SBI meeting in June 2004. The note outlines the process set out in the annex to the Memorandum of Understanding between the COP and the Council on determination of funding for the implementation of the UNFCCC. It notes that the GEF Trust Fund has been replenished three times since the closure of the pilot phase in 1994 and describes the processes and approaches by which those replenishments took place.

52. The note also presents an expected timeline of the forthcoming fourth replenishment and a possible timeline for inputs by the COP. At the SBI meeting, Parties will be invited to consider the note during their deliberations on the implementation of the COP guidance on the second review of the financial mechanism, and decide on the steps to be taken to assess funding needs as an input to the negotiations on the fourth replenishment of the GEF Trust Fund.

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<sup>6</sup> The decision also provides that activities under paragraph 2(c) and (d) in decision 7/CP.7 are also to be funded by the Special Climate Change Fund and to this effect invites Parties to submit to the Secretariat, by September 15, 2004, further views on activities, programs and measures in these areas, for further consideration by the Subsidiary Body for Implementation, at its twenty-first session, in order for the Conference of the Parties to take a decision on this matter at its tenth session. The GEF will propose steps to respond to any additional guidance after such guidance is approved by the COP.

## **Other matters**

53. The Convention Secretariat and the GEF Secretariat continue to collaborate on matters relevant to the convention through bilateral meetings, participation of appropriate representatives in working groups and task forces, and frequent communication. In addition, one issue that will need to be addressed in the coming months is follow-up to paragraph 2 of decision 8/CP.5 "requests the Global Environment Facility secretariat, in consultation with the UNFCCC secretariat, to initiate a dialogue in order to implement more effectively the guidance provided by the Conference of the Parties to the Global Environment Facility as an entity operating the financial mechanism, drawing upon the experience gained and lessons learned from the projects and programs funded by the Global Environment Facility, and to explore opportunities for streamlining guidance, and to report on the outcome of this dialogue in its report to the Conference of the Parties at its tenth session". Initial discussions have been held during previous meetings with the Convention Secretariat, but no concrete proposals have yet been formulated.

### **III. UN CONVENTION TO COMBAT DESERTIFICATION**

54. The fourth session of the Committee for the Review of the Implementation of the Convention (CRIC4) will take place in October 2004 while the next Conference of the Parties is scheduled for August/September 2005. During the reporting period, the GEF Secretariat attended the eleventh Meeting of the Facilitation Committee of the Global Mechanism of the UNCCD in March, 2004 in Rome, Italy. The GEF Secretariat was invited to inform the meeting of GEF's initiatives to provide continued assistance for sustainable land management. The main points included the new country partnership approach the GEF has engaged on a pilot basis and an update on the regular portfolio development in the focal area of land degradation.

55. The proposed country partnership on sustainable land management is aimed at assisting GEF eligible countries to address land degradation issues in a comprehensive and integrated manner based on priorities outlined in their National Action Programs (NAPs) on Desertification and Poverty Reduction Strategy Papers (PRSPs). The partnership will comprise a package of interventions to address land degradation -- policy, regulatory and institutional reforms, capacity building, and investments -- financed, in a coordinated way, from a variety of sources, including national budgets, bilateral development cooperation agreements, country assistance programs of multilateral agencies, and private foundations. This approach will be piloted through six partnerships.

56. The GEF Secretariat participated in a meeting of OECD countries, the CCD Secretariat and the Global Mechanism in March 2004, in Geneva, Switzerland. The objective of the meeting was to improve links between the UNCCD progress and the international development cooperation. The representative of the GEF Secretariat presented the GEF Country Pilot Partnership approach as a practical example for the effective implementation of the UNCCD.

## **V. JOINT RETREAT OF THE SECRETARIATS OF THREE CONVENTIONS AND THE GEF**

57. The CEO/Chairman and GEF Secretariat staff participated in a joint retreat of the Secretariats of the CBD, UNCCD, and UNFCCC convened in Bonn, Germany in January 2004. The retreat discussed issues of mutual interest, including collaboration among the three conventions and the need for a renewed focus on implementation of commitments made under the three conventions. In particular, discussions were focused on adaptation to climate change and its linkages with biodiversity and desertification, capacity building, and technology transfer. In addition to the Executive Secretaries and staff of the Convention secretariats, the Chairpersons of the Subsidiary Body on Scientific and Technological Advice of the UNFCCC (SBSTA), the Committee on Science and Technology of the UNCCD (CST), and the Subsidiary Body on Scientific, Technical and Technological Advice of the CBD (SBSTTA) attended the meeting.

## **VI. STOCKHOLM CONVENTION ON PERSISTENT ORGANIC POLLUTANTS**

58. The Stockholm Convention will enter into force on May 17, 2004, after the ratification by the fiftieth party on February 17, 2004. The First Meeting of the Conference of the Parties for the Convention is scheduled to take place in Punta del Este, Uruguay, May 2-6, 2005.

59. During the reporting period, the GEF Secretariat and the Stockholm Convention Secretariat have consulted on the follow-up to decision INC-7/9, *Financial mechanism*, and decision INC-7/10, *Draft memorandum of understanding with the GEF*, adopted by the seventh session of the Intergovernmental Negotiating Committee in July 2003. Discussions were held to initiate work on a revised version of the draft MOU pursuant to decision INC-7/10. A revised paper is also under preparation for consideration by an Open-ended Working Group on the Financial Mechanism which has been tasked with preparing draft guidance to the financial mechanism to be considered by the first meeting of the Conference of the Parties pursuant to paragraph 7 of article 13 of the convention. Members of the open-ended working group will be invited to provide comments on a revised paper that will be circulated by the Convention Secretariat on May 31, 2004.

## **VII. MONTREAL PROTOCOL**

60. Fifteenth meeting of the Parties to the Montreal Protocol (MOP15) took place on November 10-14, 2003, in Nairobi, Kenya. Three decisions<sup>7</sup> adopted by MOP15 are of relevance to the GEF and they are attached as Annex C. An extraordinary MOP was held on March 24-26 2004, in Montreal, Canada and resolved outstanding methyl bromide related issues.

61. MOP15 adopted a decision XV/49, *Application for technical and financial assistance from the Global Environment Facility from South Africa*, requesting “ the Council of the Global Environment Facility to consider, on an exceptional basis, project proposals from South Africa on phasing out controlled substances in Annex E for funding as per the conditions and eligibility criteria applicable to all countries eligible for such assistance under the Facility.”

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<sup>7</sup> XV/49. *Application for technical and financial assistance from the Global Environment Facility from South Africa*; XV/50. *Continued assistance from the Global Environment Facility to countries with economies in transition*; and XV/51. *Institutional strengthening assistance to countries with economies in transition*.

62. At its November meeting, the Council was informed of this decision, and “requested the GEF Secretariat to seek further information and justification from the Secretariat of the Vienna Convention and its Montreal Protocol as to why South Africa, as a developing country, cannot seek financing from the Multilateral Fund of the Montreal Protocol for the phase out of methyl bromide.” The Secretariat was also “requested to provide information on the needs of South Africa, including the types of activities and technology that would need to be financed, the cost of those activities, and information on how such resources might be accommodated within the resource targets for GEF 3 presented in the business plan.”

63. The GEF Secretariat has informed the Secretariat of the Vienna Convention and its Montreal Protocol of the request of the Council and kindly requested more information for the Council’s review. The Secretariat will circulate the information to the Council as an information document for the meeting once it is received.

64. Two other decisions of MOP 15, decision XV/50 on continued assistance from the GEF to countries with economies in transition and decision XV/51 on institutional strengthening assistance to countries with economies in transition are addressed to the GEF. Decision XV/50 notes “with appreciation the assistance given by the Global Environment Facility to phase out ozone-depleting substances in countries with economies in transition, and the commitment by the Facility to continue providing in the future assistance to those countries with respect to all ozone-depleting substances.” Decision XV/51 urges “those countries with economies in transition that are experiencing difficulties in meeting their obligations under the Protocol to consider working with the implementing agencies to seek assistance for institutional strengthening from the Global Environment Facility;” and requests “the Global Environment Facility to consider favorably such applications for assistance, in accordance with its criteria for its capacity-building.”

### **VIII. UN COMMISSION ON SUSTAINABLE DEVELOPMENT**

65. During the reporting period, the GEF Secretariat maintained regular contacts with the CSD Secretariat on GEF participation in CSD 12, including a visit to New York in January 2004. A meeting between the CEO/Chairman and the Under Secretary-General for Economic and Social Affairs to consult on efforts to strengthen collaboration between the GEF and CSD is being scheduled.

66. As agreed by the Council at its meeting in November 2003, the CEO/Chairman and Secretariat staff is planning to participate in the CSD meeting in April. The GEF Secretariat will organize two side-events and an exhibition during the CSD meeting and also participate in the CSD Learning Center. A note on further GEF collaboration with CSD will be presented to the Council at its meeting in November.

### **IX. STAP**

67. In approving the composition of STAP-III, the GEF Council, at its meeting held in May 2002, endorsed the recommendation to stagger the terms of appointment of members to the Panel. Accordingly, with the exception of the Chair and the Vice Chair, members of STAP-III

were appointed by the Executive Director of UNEP for a period of two years (July 1, 2002 - June 30, 2004).

68. In a note before the Council, prepared by UNEP, (GEF/C.23/Inf.10), information is provided on the staggering of the terms of appointment to STAP. In particular, the Executive Director, after consulting with the CEO and Heads of the other Implementing Agencies, recommends that seven STAP members be reappointed for another term of two-year duration (July 1, 2004 – June 30, 2006) and that six new appoints be made to STAP for two years.

69. A consolidated list of the proposed reconstituted STAP for the period July 1, 2004 to June 30, 2006, is contained in Annex D to this report. The Council is invited to approve the proposed STAP membership.

## **X. Trustee**

70. The Trustee has prepared a report for the Council that provides updated information on the financial status and management of the GEF Trust Fund (see GEF/C.23/Inf.3). In particular, the report:

- (a) presents the current payment status of contributions to GEF-1 through GEF-3;
- (b) highlights current and projected available resources of the GEF Trust Fund;
- (c) provides information on the status of the Financial Procedures Agreements; and
- (d) provides an update on financial and risk management issues.

71. Section IV of the paper describes the arrangements that have been agreed between the Trustee and the Implementing Agencies regarding access to GEF funds as well as the procedures through which the Trustee exercises its responsibility to monitor the application of budgetary and project funds so as to ensure that the resources of the Trust Fund are being used in accordance with the Instrument and the decisions taken by the Council. These arrangements are described in paragraphs 11-15 of the report. The Council is requested to confirm that the current practices of the Trustee with respect to the Implementing Agencies for discharging the Trustee's responsibility under the Instrument to monitor the application of budgetary and project funds are satisfactory and that these practices should also be followed with regard to the Executing Agencies operating under expanded opportunities for direct access to GEF resources..

72. Given the importance of the agencies' financial reports to the Trustee's ability to discharge its responsibilities under the Instrument, the Council is also requested to agree that the Trustee may suspend commitment and disbursement of GEF funds that have been allocated by the Council and/or the CEO, as appropriate, to any agency which is out of compliance with its reporting obligations to the Trustee under the Financial Procedures Agreement the agency entered into with the Trustee, when non-compliance has continued for a period of not less than thirty days after written notification from the Trustee. Such suspension may continue until such time as the non-compliance is resolved to the satisfaction of the Trustee.

## ANNEX A: DECISIONS OF CBD/COP 7 AND COP/MOP ON BIOSAFETY

### VII/20. *Further guidance to the financial mechanism*

#### *The Conference of the Parties*

*Recalling* the relevant provisions of the Convention on Biological Diversity and its decisions I/2, II/6, III/5, III/8, IV/11, IV/13, V/12, V/13, VI/16 and VI/17,

*Taking note of* the report of the Global Environment Facility (UNEP/CBD/COP/7/9), as well as the compilation of past guidance to the financial mechanism (UNEP/CBD/COP/7/INF/1),

*Urges* the Council of the Global Environment Facility to ensure participation by all Council members in its meetings,

1. *Decides* that the report from the Council of the Global Environment Facility to the Conference of the Parties should be made available three months prior to an ordinary meeting of the Conference of the Parties as well as with updates as appropriate, and in accordance with rules 28 and 54 of the Rules of Procedure for meetings of the Conference of the Parties, the Executive Secretary should make it available in all six United Nations languages;

2. *Decides* to provide the following additional guidance to the Global Environment Facility in the provision of financial resources, in accordance with Article 20 and Article 21, paragraph 1 of the Convention and in conformity with decisions I/2, II/6, III/5, IV/13, V/13 and VI/17 of the Conference of the Parties. In this regard, the Global Environment Facility shall provide financial resources to developing country Parties, taking into account the special needs of the least developed countries and the small island developing States amongst them, for country-driven activities and programmes, consistent with national priorities and objectives and in accordance with the mandate of the Global Environment Facility, recognizing that economic and social development and poverty eradication are the first and overriding priorities of developing countries, and taking fully into consideration all relevant decisions from the Conference of the Parties;

#### *Marine and coastal biological diversity*

3. *Invites* the Global Environment Facility, other funding institutions, and development agencies to provide financial support for the implementation of the elaborated programme of work on marine and coastal biodiversity;

#### *Monitoring and indicators*

4. *Recognizes* that the development and use of indicators, particularly in the development phase, requires a financial and technical commitment from Parties, and therefore *requests* the financial mechanism and *encourages* bilateral and multilateral funding agencies to assist developing countries, in particular the least developed and small island developing States among them, and countries with economies in transition through the provision of financial assistance and training, as required and as appropriate, to develop and implement effective biodiversity indicators;

### ***Ecosystem approach***

5. *Invites* the Global Environment Facility, in accordance with its mandate, and other funding institutions and development agencies to provide financial support for the implementation of the ecosystem approach, in accordance with decision VII/11;

### ***Biological diversity and climate change***

6. *Requests* the financial mechanism, in accordance with its mandate, and *invites* other sources to provide financial support to developing country Parties, in particular the least developed and small island developing States among them, and countries with economies in transition, where appropriate, for:

(a) Country-driven activities, including pilot projects, aimed at projects related to ecosystem conservation, restoration of degraded lands and marine environments and overall ecosystem integrity that take into account impacts of climate change;

(b) Assistance in capacity-building with the aim of increasing the effectiveness in addressing environmental issues through their commitments under the Convention on Biological Diversity, the United Nations Framework Convention on Climate Change, and the United Nations Convention to Combat Desertification, *inter alia*, by applying the ecosystem approach;

(c) Assistance in developing synergy-oriented programmes to conserve and sustainably manage all ecosystems, such as forests, wetlands and marine environments, that also contribute to poverty eradication;

### ***Global Taxonomy Initiative***

7. *Invites* Parties, other Governments, regional and international organizations to take full account of the importance of taxonomic capacities in achieving the goals of the Convention, to support taxonomic activities to attain the 2010 target, and to provide all necessary support to national, and where appropriate regional, taxonomic centres of research and expertise; and *urges* the Parties, other Governments and the Global Environment Facility, in accordance with its mandate, and other relevant funding organizations to provide adequate and timely support to developing countries to assist in the implementation of the Global Taxonomy Initiative, and for integrating taxonomic capacity-building activities into thematic and cross-cutting programmes, including supporting activities and projects, such as, where appropriate, stand-alone capacity-building projects;

### ***Sustainable use***

8. *Invites* Parties and Governments, in collaboration with the Global Environment Facility and other relevant organizations, including the private sector, to develop and transfer technologies and provide financial support to assist in the implementation of the Addis Ababa Principles and Guidelines at the national level to ensure that the use of biological diversity is sustainable;

### ***Invasive alien species***

9. *Invites* the Global Environment Facility, in accordance with its mandate, other funding institutions and development agencies to provide financial support to developing countries, in particular

the least develop countries and small island developing States among them, and countries with economies in transition, to assist in the improved prevention, rapid response and management measures to address threats of alien invasive species.

### ***Protected areas***

10. *Requests* the Global Environment Facility, respecting national targets and priorities, to support the implementation of the programme of work, and in particular to:

(a) In collaboration with other donors, encourage increased support to address the long-term financial sustainability of protected areas, including through different mechanisms and instruments, to help achieve the target of securing, by 2008, sufficient resources to meet the costs to effectively implement and manage national and regional systems of protected areas;

(b) Further develop its portfolio on protected areas towards comprehensive, representative and effectively managed protected area systems addressing system wide needs; and

(c) Support country driven early action by continuing to streamline its procedures and the provision of fast disbursing resources through expedited means;.

### ***Strategic Plan***

11. *Invites* the Global Environment Facility, in accordance with its mandate, to provide adequate and timely support to developing country Parties, in particular the least developed countries and small island developing States among them, and Parties with economies in transition, as appropriate for the implementation of activities to achieve and monitor progress towards the goals and targets identified in the framework for evaluation of progress towards implementation of the Strategic Plan of the Convention, in accordance with decision VII/30,;

### ***Technology transfer and cooperation***

12. Decides that based on needs and priorities identified by developing country Parties and countries with economies in transition, the Global Environment Facility, in accordance with its mandate and in collaboration with other interested funding agencies, shall, as appropriate, provide adequate and timely financial support for the implementation of the programme of work on technology transfer and technological and scientific cooperation, consistent with Articles 16 to 20 of the Convention, and in particular for:

(a) Building policy, legal, judicial and administrative capacity;

(b) Facilitating access to relevant proprietary technologies;

(c) Providing other financial and non-financial incentives for the diffusion of relevant technologies;

(d) Building capacities of, and empowering, indigenous and local communities and all relevant stakeholders with respect to access to and use of relevant technologies;

(e) Improving the capacity of national research institutions in developing countries and countries with economies in transition for the development of technologies, as well as for adaptation, diffusion and the further development of imported technologies consistent with their transfer agreement and international law including through fellowships and international exchange programmes;

(f) Supporting the development and operation of regional or international initiatives to assist technology transfer and cooperation as well as scientific and technical cooperation, including those initiatives designed to facilitate South-South cooperation and South-South joint development of new technologies and also such cooperation among countries with economies in transition;

### ***Millennium Development Goals***

13. *Urges* Parties, Governments, international financial institutions, donors, and relevant intergovernmental organizations, as a contribution towards the Millennium Development Goals, to implement development activities in ways that are consistent with, and do not compromise, the achievement of the objectives of the Convention on Biological Diversity and the 2010 target, including by improving environmental policies in relevant development agencies and sectors such as through integrating concerns relating to biodiversity and the Millennium Development Goals more directly into environmental impact assessments, strategic environmental assessments and other such tools, including at the national level through the national strategies for sustainable development and the poverty reduction strategies and programmes, and *invites* the Global Environment Facility to support capacity-building activities in developing countries for this purpose;

### ***National reporting***

14. *Encourages* Parties, Governments, relevant bilateral, regional and multilateral organizations, and the Global Environment Facility to collaborate to strengthen the various capacities of Parties, particularly developing country Parties and countries with economies in transition, to prepare their future national and thematic reports;

15. *Further encourages* Parties, Governments, relevant bilateral, regional and multilateral organizations, and the Global Environment Facility, to analyse the progress of Parties, particularly developing country Parties and countries with economies in transition, in implementing the Convention, in relation to those areas identified as a priority by those countries, in order to *inter alia* assist them in the preparation of their future national reports;

16. *Requests* the Global Environment Facility to explore ways to expedite and simplify its procedures for allocating funds to the eligible countries to prepare their national reports to fulfil their reporting obligations under the Convention;

17. *Invites* the Global Environment Facility to provide the necessary financial support to facilitate the preparation of the third national reports by the Parties;

### ***Education and public awareness***

18. *Invites* the Global Environment Facility, in accordance with its mandate, and other donor organizations to provide funding to developing countries, particularly the least developed and small island developing States among them, and countries with economies in transition for the implementation of their national communication, education and public-awareness programmes and activities;

***Access to genetic resources and fair and equitable sharing of benefits***

19. *Reiterates* its guidance to the Global Environment Facility, as the institutional structure operating the financial mechanism of the Convention, to provide financial resources for country-driven projects based on national priorities that assist with the implementation of the Action Plan in support of the implementation of the Bonn Guidelines on Access to Genetic Resources and Fair and Equitable Sharing of Benefits Arising out of their Utilization, and further requests the Global Environment Facility, in accordance with its mandate, to support capacity-building regarding the transfer of technologies which enables providers to fully appreciate and actively participate in benefit-sharing arrangements at the stage of granting access permits;

***Biosafety***

*Welcoming* the biosafety capacity-building initiatives of the Global Environment Facility and its implementing agencies,

*Recognizing* the need to ensure that guidance to the financial mechanism will support in a balanced manner the objectives of the Convention and its Protocol,

*Stressing* the need for mutual information, coordinated action and regular monitoring in order to avoid duplication and to identify gaps and possible synergies because of the multitude of different actors undertaking various capacity-building initiatives, and for an active role the Executive Secretary should play in promoting this process,

*Confirming* that the arrangements between the Conference of the Parties and the Council of the Global Environment Facility provided for in the Memorandum of Understanding adopted by the Conference of the Parties at its third meeting will apply, *mutatis mutandis*, for purposes of the Cartagena Protocol,

20. *Decides* to provide the following guidance to the Global Environment Facility to be implemented in a timely manner;

21. *Decides also* upon the following eligibility criteria for funding by the Global Environment Facility:

(a) All developing countries, in particular the least developed and small island developing States among them, and countries with economies in transition, including countries amongst these that are centres of origin and centres of genetic diversity, which are Parties to the Protocol, are eligible for funding by the Global Environment Facility in accordance with its mandate;

(b) All developing countries, in particular the least developed and small island developing States among them, and countries with economies in transition, including countries amongst these that are centres of origin and centres of genetic diversity, which are Parties to the Convention and provide a clear political commitment towards becoming Parties to the Protocol, shall also be eligible for funding by the Global Environment Facility for the development of national biosafety frameworks and the development of national biosafety clearing-houses and other necessary institutional capabilities to enable a non-Party to become a Party. Evidence of such political commitment shall take the form of a written assurance to the Executive Secretary that the country intends to become a Party to the Protocol on completion of the activities to be funded;

22. *Stresses* that the provision of financial resources by the Global Environment Facility shall be for country-driven activities and programmes consistent with their national priorities and objectives;

23. *Invites* developed country Parties, Governments, the Global Environment Facility, other donor agencies and relevant organizations to provide financial support and other assistance to developing country Parties, in particular the least developed and the small island developing States among them, and Parties with economies in transition, including countries amongst these that are centres of origin and centres of genetic diversity, to develop and implement capacity-building activities, including organization of national, regional and inter-regional capacity building workshops and preparatory meetings;

24. *Invites* the Global Environment Facility to extend support for demonstration projects on implementation of the national biosafety frameworks to other eligible countries;

25. *Urges* the Global Environment Facility to ensure a rapid implementation of its initial strategy for assisting countries to prepare for the ratification and implementation of the Protocol, and to support capacity-building for the establishment of national components of the Biosafety Clearing-House in a flexible manner, and to provide additional support for the development and/or strengthening of existing national and regional centres for training; regulatory institutions; risk assessment and risk management; infrastructure for the detection, testing, identification and long-term monitoring of living modified organisms; legal advice; decision-making; handling of socio-economic considerations; awareness-raising and technology transfer for biosafety;

26. *Notes* that the role of the Global Environment Facility, in accordance with its mandate, in the Action Plan for Building Capacities for the Effective Implementation of the Protocol, adopted by the Conference of the Parties serving as the meeting of the Parties to the Cartagena Protocol on Biosafety at its first meeting, includes:

(a) Providing funding and other assistance to build necessary legislative and administrative frameworks, and for training in risk assessment and risk management;

(b) Deciding on further areas for financial support for capacity-building in accordance with the identified priority needs of developing countries and countries with economies in transition, responses to the questionnaires, the outcomes of inter-sessional workshops, and its previous pilot project on biosafety;

(c) Implementing the GEF Strategy to Assist Countries to Ratify and Implement the Cartagena Protocol on Biosafety;

(d) Facilitating the provision of technical support; and

(e) Facilitating the use of existing and developing regional networks.

**VII/22. Arrangements for the third review of the effectiveness of the financial mechanism**

*The Conference of the Parties,*

*Recalling* Article 21 of the Convention on Biological Diversity and decisions III/8 and VI/17,

*Aware of* the preparation of the third Overall Performance Study of the Global Environment Facility to be completed by June 2005, and the need to ensure synergies between the Study and the third review of the financial mechanism,

1. *Decides* to adopt the annex to the present decision, containing the objectives, methodology and criteria as well as procedures for the third review of the effectiveness of the financial mechanism to be conducted in time for the eighth meeting of the Conference of the Parties;
2. *Decides also* that this third review should be conducted by an independent evaluator and under the authority of the Conference of the Parties and take fully into account reports of the Global Environment Facility with respect to operations of the financial mechanism;
3. *Decides further* that, based on the results of the review, the Conference of the Parties shall take appropriate action to improve the effectiveness of the mechanism if necessary.

*Annex*

**GUIDELINES FOR THE THIRD REVIEW OF THE EFFECTIVENESS OF THE FINANCIAL MECHANISM**

**A. OBJECTIVES**

1. In accordance with Article 21, paragraph 3, the Conference of the Parties will review the effectiveness of the mechanism, including the criteria and guidelines referred to in Article 21, paragraph 2, with a view to taking appropriate action to improve the effectiveness of the mechanism if necessary. For this purpose, effectiveness will include:
  - (a) The effectiveness of the financial mechanism in providing and delivering financial resources, as well as in overseeing, monitoring and evaluating the activities financed by its resources;
  - (b) The conformity of the activities of the Global Environment Facility (GEF), as the institutional structure operating the financial mechanism, with the guidance of the Conference of the Parties;
  - (c) The efficiency and effectiveness of the process of providing guidance to the financial mechanism to promote the implementation of the Convention and the achievement of its three objectives;
  - (d) The efficiency, effectiveness and sustainability of the GEF-funded activities on the implementation of the Convention and in the achievement of its three objectives, taking into account the guidance provided by the Conference of the Parties.

## B. METHODOLOGY

2. The review will cover all the activities of the financial mechanism for the period from July 2001 to June 2005.
3. The review shall draw upon, *inter alia*, the following sources of information:
  - (a) Information provided by both developed and developing countries and Parties regarding the financial mechanism, including national reports with respect to the financial mechanism;
  - (b) Reports prepared by the Global Environment Facility, including its reports to the Conference of the Parties;
  - (c) Reports of the independent GEF Monitoring and Evaluation Unit that relate to GEF biodiversity activities within the framework of the financial mechanism;
  - (d) The Third Overall Performance Study of the Global Environment Facility;
  - (e) Information provided by other relevant stakeholders.

## C. CRITERIA

4. The effectiveness of the financial mechanism shall be assessed taking into account, *inter alia*:
  - (a) The steps and actions taken by the financial mechanism in response to the actions requested by the Conference of the Parties at its fourth meeting to improve the effectiveness of the financial mechanism, as set out in the annex to its decision IV/11 as well as in decision VI/17;
  - (b) The actions taken by the financial mechanism in response to the guidance of the Conference of the Parties, as contained in decisions I/2, II/6, III/5, IV/13, V/13 and VI/17;
  - (c) Any other significant issue raised by the Parties.

## D. PROCEDURES

5. Under the authority and with the support of the Conference of the Parties, the Executive Secretary shall contract an experienced independent evaluator to undertake the review, in accordance with the above objectives, methodology and criteria.
6. The evaluator shall design a questionnaire using the criteria adopted in the present guidelines, to be sent to the Parties and other stakeholders as soon as practicable after the seventh meeting of the Conference of the Parties, and prepare a compilation and synthesis of the information received.
7. The evaluator will undertake such desk studies, interviews, field visits and collaboration with the GEF Monitoring and Evaluation Unit, as may be required, for the preparation of the review, subject to the availability of resources.
8. The draft compilation and synthesis, and the recommendations of the evaluator, will be made available to GEF for its review and comments. Such comments shall be included in the documentation and identified by source.

9. Based on the synthesis report and recommendations of the independent evaluator, the Executive Secretary shall prepare, in consultation with the GEF, a draft decision on the third review of the financial mechanism, including specific suggestions for action to improve the effectiveness of the mechanism if necessary, for consideration of the eighth meeting of the Conference of the Parties.

10. The Executive Secretary shall submit all the relevant documents to Parties at least three months prior to the eighth meeting of the Conference of the Parties.

## ANNEX B: DECISIONS OF UNFCCC/COP9

Decision 4/CP.9

Additional guidance to an operating entity of the financial mechanism

*The Conference of the Parties,*

*Recalling* Article 3, Article 4, paragraphs 1, 3, 4, 5, 7, 8 and 9, Article 9, paragraph 2 (c), Article 11, paragraphs 1 and 5, and Article 12, paragraphs 3 and 4, of the Convention,

*Recalling also* its decisions 13/CP.1, 7/CP.2, 10/CP.2, 11/CP.2, 12/CP.2, 9/CP.3, 1/CP.4, 2/CP.4, 4/CP.4, 6/CP.4, 8/CP.5, 9/CP.5, 10/CP.5, 2/CP.7, 3/CP.7, 4/CP.7, 6/CP.7, 7/CP.7, 5/CP.8, 7/CP.8, 9/CP.8 and 10/CP.8,

*Recalling further* that in accordance with decision 11/CP.1, the Conference of the Parties is to give guidance on policies, programme priorities and eligibility criteria to an operating entity of the financial mechanism,

1. *Decides* that the Global Environment Facility, as an operating entity of the financial mechanism, should:

(a) On matters relating to national communications:

(i) Closely monitor the performance of the global project to support the preparation of national communications, including its effectiveness and efficiency, and continue to ensure that implementation of this project is consistent with the guidance provided by the Conference of the Parties;

(ii) Provide finance in a timely manner for the preparation of national communications by Parties not included in Annex I to the Convention (non-Annex I Parties) whose project activities are not covered by the global project;

(b) On matters relating to capacity-building:

(i) Continue to provide financial support to non-Annex I Parties, in accordance with decision 6/CP.7, for the implementation of the capacity-building framework annexed to decision 2/CP.7;

(ii) Take into account, in its work relating to the development of capacity-building performance indicators for the climate change focal area, the capacity-building framework annexed to decision 2/CP.7, and undertake this work in consultation with the Convention secretariat;

(iii) Provide financial support to countries with economies in transition, within its mandate, for the implementation of the capacity-building framework annexed to decision 3/CP.7;

(c) On matters relating to transfer of technology, continue to support enabling activities relating to technology needs assessments;

2. *Requests* the Global Environment Facility:

(a) To continue its support for education, training and public awareness activities relating to climate change;

(b) To operationalize the new strategic priority in the climate change focal area (Piloting an operational approach to adaptation) as soon as possible;

(c) To include in its report to the Conference of the Parties at its tenth session information on specific steps undertaken to implement this decision;

3. *Invites* the Global Environment Facility to give appropriate consideration to addressing the priority needs identified by non-Annex I Parties in their regional action plans relating to global observing systems for climate, noting the existence of other bilateral and multilateral agencies and mechanisms that support global climate observing systems.

Decision 9/CP.9

Capacity-building

*The Conference of the Parties,*

*Recalling* its decision 2/CP.7 to conduct a comprehensive review of the implementation of the framework for capacity-building in developing countries at its ninth session and every five years thereafter,

*Recalling further* its decision 3/CP.7 to review at regular intervals the effectiveness of the implementation of the framework for capacity-building in countries with economies in transition,

*Noting* that capacity-building is a country-driven process, addressing specific needs and conditions of developing countries and reflecting their national strategies for sustainable development,

*Welcoming* the secretariat paper containing an analysis of the implementation of the framework for capacity-building in developing countries,<sup>8</sup>

*Welcoming also* the strategic approach of the Global Environment Facility towards Enhancing capacity-building with the aim of providing adequate support for nationally determined and prioritized capacity-building needs,

*Having considered* the conclusions of the Subsidiary Body for Implementation at its eighteenth session relating to capacity-building,<sup>9</sup>

*Having taken note* of the terms of reference of the first comprehensive review of the implementation of the framework for capacity-building in developing countries, contained in annex III to the report of the Subsidiary Body for Implementation at its eighteenth session,

1. *Decides* to complete the first comprehensive review of the implementation of the framework for capacity-building in developing countries by its tenth session and to conduct further comprehensive reviews every five years thereafter;

2. *Decides* on the following actions and steps necessary to complete this first

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<sup>8</sup> FCCC/SBI/2003/14.

<sup>9</sup> FCCC/SBI/2003/8.

comprehensive review:

(a) To request the secretariat to prepare a paper, with technical appendices, on the range and effectiveness of capacity-building activities in developing countries aimed at implementing decision 2/CP.7, for consideration by the Subsidiary Body for Implementation at its twentieth session, this paper and its technical appendices to be based on the terms of reference contained in annex III of the report of the Subsidiary Body for Implementation at its eighteenth session;

(b) To invite Parties to submit to the secretariat, by 15 February 2004, additional information in a format to be guided by the above-mentioned terms of reference as an input to the paper and its technical appendices;

3. *Requests* the Chair of the Subsidiary Body for Implementation, subject to the availability of resources, and upon consideration by Parties of the secretariat paper and its technical appendices, to convene a technical meeting with the aim of contributing to the comprehensive review at the tenth session of the Conference of the Parties;

4. *Decides* to complete the review of the effectiveness of the implementation of the framework for capacity-building in countries with economies in transition, annexed to decision 3/CP.7, by its tenth session, and that further reviews should be based on the review of national communications of these countries;

5. *Encourages* Parties with economies in transition, in preparing their national communications, to provide information relating to the implementation of the framework for capacity-building in their countries, taking into account the following:

(a) Provision of enabling environments to promote the sustainability and effectiveness of capacity-building activities relating to the implementation of the ultimate objective of the Convention;

(b) Best practices in capacity-building;

(c) Capacity-building needs, priorities and options;

(d) Information on how capacity-building activities are being implemented;

(e) Cooperation relating to capacity-building among Parties with economies in transition;

(f) Mobilization and sustainability of national capacities, including the institutional leadership necessary for national coordination and the effectiveness of capacity-building activities;

(g) Participation in, and access to, capacity-building activities by all stakeholders, including governments, civil society and the private sector, as appropriate;

(h) Financial and other resources needed to implement capacity-building activities;

6. *Requests* the secretariat to prepare a compilation and synthesis report on capacity-building activities in countries with economies in transition, based on information included in their national communications, if available, and on information provided by the Global Environment Facility and other relevant organizations, for consideration by the Subsidiary Body for Implementation at its twentieth session.

Decision 3/CP.9

Report of the Global Environment Facility to the Conference of the Parties

*The Conference of the Parties,*

*Recalling* Article 11, paragraph 1, of the Convention,

*Recalling also* its decisions 11/CP.1, 12/CP.1, 13/CP.1, 10/CP.2, 11/CP.2, 12/CP.2, 2/CP.4, 3/CP.4, 8/CP.5, 10/CP.5, 2/CP.7, 3/CP.7, 4/CP.7, 6/CP.7, 27/CP.7, 5/CP.8 and 6/CP.8,

*Having considered* the report of the Global Environment Facility<sup>10</sup> containing information on its major activities in the period 1 June 2002 to 30 June 2003,

*Noting* the information provided on the current level of funding for full- and medium-sized projects and the small grants programme, and for enabling activities in developing countries,

*Noting also* that over time there are variations in activity under different operational programmes,

*Noting further* that within the reporting period, two out of eight project development facility grants were provided for preparation of projects under the Global Environment Facility's operational programme

7 (Reducing the long-term costs of low greenhouse gas-emitting energy technologies),

*Noting* the ongoing work in the areas of monitoring and evaluation, strategic planning, streamlining the Global Environment Facility project cycle, and incremental costs,

*Welcoming* the completion of the operational procedures for the expedited financing of national communications on the basis of the "Guidelines for the preparation of national communications from Parties not included in Annex I to the Convention" (contained in the annex to decision 17/CP.8), and the approval of a global project designed to support the preparation of those national communications,

*Welcoming also* the increased support for capacity-building activities as outlined in the "GEF Business Plan FY05-07"<sup>11</sup> and the Global Environment Facility's strategic approach to enhancing capacity building<sup>12</sup> approved by its Council in November 2003,

*Welcoming further* the successful efforts to mobilize resources for the Least Developed Countries Fund, and also noting the added responsibility of the Global Environment Facility in respect of the Special Climate Change Fund as stipulated in decisions 7/CP.7 and 7/CP.8,

*Noting* the value of the long-term and strategic approach of the Global Environment Facility to barrier removal and market facilitation for renewable energy technologies, energy efficiency and energy conservation, low greenhouse gas emitting technologies and environmentally sustainable transport,

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<sup>10</sup> FCCC/CP/2003/3.

<sup>11</sup> GEF/C.22/6 available at [www.gefweb.org/Documents/Council\\_Documents/](http://www.gefweb.org/Documents/Council_Documents/)

<sup>12</sup> GEF/C.22/8 available at [www.gefweb.org/Documents/Council\\_Documents/](http://www.gefweb.org/Documents/Council_Documents/)

*Noting also* the Global Environment Facility document *A Proposed GEF Approach to Adaptation*<sup>13</sup> and the establishment of a new strategic priority in the climate change focal area (Piloting an operational approach to adaptation) that 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,

*Noting further* the information provided in response to guidance by the Conference of the Parties on the provision of financial support to Parties not included in Annex I to the Convention for the transfer of technology,

*Noting* the information provided on activities relating to education, training and public awareness under Article 6 of the Convention,

*Welcoming* the closer consultations initiated between the Global Environment Facility secretariat and the Convention secretariat to strengthen collaboration and improve information exchange,

1. *Requests* the Global Environment Facility to include, in its report to the tenth session of the Conference of the Parties:

(a) Information on the implementation of the strategic approach to enhancing capacity-building in response to decisions 2/CP.7 and 3/CP.7;

(b) Information on its support for the implementation of the framework for meaningful and effective actions to enhance the implementation of Article 4, paragraph 5, of the Convention.

Decision 6/CP.9

Further guidance for the operation of the Least Developed Countries Fund

*The Conference of the Parties*

*Recalling* its decisions 5/CP.7, 7/CP.7, 27/CP.7, 28/CP.7 and 8/CP.8,

*Noting* that the Least Developed Countries Fund supports the implementation of the Convention, contributes to the achievement of the World Summit on Sustainable Development and the Millennium Development Goals, and contributes to the integration of climate change considerations into development activities,

*Noting also* that the Least Developed Countries Fund will contribute to the enhancement of adaptive capacity to address the adverse effects of climate change, including, as appropriate, in the context of national strategies for sustainable development,

*Noting also* with appreciation efforts by the Global Environment Facility in developing expedited procedures for funding the preparation of national adaptation programmes of action and for its efforts to mobilize resources for the Least Developed Countries Fund,

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<sup>13</sup> GEF/C.21/INF.10 available at [www.gefweb.org/Documents/Council\\_Documents/](http://www.gefweb.org/Documents/Council_Documents/)

1. *Decides* to adopt the further guidance to an entity entrusted with the operation of the financial mechanism of the Convention, for the operation of the Least Developed Countries Fund, as set out in paragraphs 2 and 3 below;
2. *Requests* the entity to support the implementation of national adaptation programmes of action as soon as possible after their completion;
3. *Requests* the entity to take into account, inter alia, the following elements when developing operational guidelines for funding of the implementation of national adaptation programmes of action:
  - (a) Ensuring a country-driven approach, in line with national priorities, which ensures cost-effectiveness and complementarity with other funding sources;
  - (b) Equitable access by least developed country Parties to funding for the implementation of national adaptation programmes of action;
  - (c) Criteria for supporting activities on an agreed full-cost basis, taking account of the level of funds available;
  - (d) Guidelines for expedited support;
  - (e) Urgency and immediacy of adapting to the adverse effects of climate change;
  - (f) Prioritization of activities;
4. *Requests* Parties to make completed national adaptation programmes of action available to the Global Environment Facility and to the secretariat for further dissemination to the Parties;
5. *Requests* the entity to include in its report to the Conference of the Parties information on the specific steps it has undertaken to implement this decision as well as the preparation of national adaptation programmes of action;
6. *Decides* to assess progress in the implementation of this decision and consider the adoption of further guidance at its tenth session.

#### Decision 5/CP.9

Further guidance to an entity entrusted with the operation of the financial mechanism of the Convention, for the operation of the Special Climate Change Fund

*The Conference of the Parties,*

*Recalling* the relevant provisions of, in particular, Article 4.1, 4.3, 4.4, 4.5, 4.7, 4.8, 4.9, 4.10, and Article 11, of the Convention

*Recalling also* its decisions 4/CP.7, 5/CP.7, 7/CP.7 and 7/CP.8,

*Noting* the views of Parties on prioritized activities, programmes and measures to be funded under the Special Climate Change Fund,

*Stressing* the importance of bilateral and multilateral funding in support of the implementation of activities, programmes and measures in the climate change area,

*Noting* that the Special Climate Change Fund supports the implementation of the Convention, contributes to the achievement of the World Summit on Sustainable Development and the Millennium Development Goals, and contributes to the integration of climate change considerations into development activities,

1. *Decides* that:

- (a) The Special Climate Change Fund should serve as a catalyst to leverage additional resources from bilateral and other multilateral sources;
- (b) Activities to be funded should be country-driven, cost-effective and integrated into national sustainable development and poverty-reduction strategies;
- (c) Adaptation activities to address the adverse impacts of climate change shall have top priority for funding;
- (d) Technology transfer and its associated capacity-building activities shall also be essential areas to receive funding from the Special Climate Change Fund;

2. *Decides also* that the implementation of adaptation activities shall be supported through the Special Climate Change Fund, taking into account national communications or national adaptation programmes of action, and other relevant information provided by the applicant Party, and include:

- (a) Implementation of adaptation activities where sufficient information is available to warrant such activities, inter alia, in the areas of water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems, including mountainous ecosystems, and integrated coastal zone management;
- (b) Improving the monitoring of diseases and vectors affected by climate change, and related forecasting and early warning systems, and in this context improve disease control and prevention;  
Advance unedited version
- (c) Supporting capacity-building, including institutional capacity, for preventive measures, planning, preparedness and management of disasters relating to climate change, including contingency planning, in particular, for droughts and floods in areas prone to extreme weather events;
- (d) Strengthening existing and, where needed, establish national and regional centres and information networks for rapid response to extreme weather events, utilizing information technology as much as possible;

3. *Decides further* that resources from the Special Climate Change Fund shall be used to fund technology transfer activities, programmes and measures that are complementary to those currently funded by the Global Environment Facility taking into account national communications or any other relevant documents in accordance with decision 4/CP.7 and its annex containing the framework for meaningful and effective actions to enhance the implementation of Article 4, paragraph 5, of the Convention, in the following priority areas:

- (a) Implementation of the results of technology needs assessments;
- (b) Technology information;
- (c) Capacity-building for technology transfer;
- (d) Enabling environments;

4. *Decides further* that activities under paragraph 2 (c) and (d) in decision 7/CP.7 are also to be funded by the Special Climate Change Fund and to this effect invites Parties to submit to the secretariat, by 15 September 2004, further views on activities, programmes and measures in these areas for further consideration by the Subsidiary Body for Implementation, at its twenty-first session, in order for the Conference of the Parties to take a decision on this matter at its tenth session.

5. *Requests* the entity entrusted with the operation of the fund to arrange expedited access to the Special Climate Change Fund in keeping with current practices of the Global Environment Facility, taking into account the need for adequate resources to implement eligible activities, programmes and measures;

6. *Invites also* the entity entrusted with the operation of the fund to make the necessary arrangements to mobilize resources to make the fund operational without delay;

7. *Requests* the entity referred to in paragraph 5 above to include in its report to the Conference of the Parties, at its tenth session, the specific steps it has undertaken to implement this decision.

## ANNEX C: DECISIONS OF MOP15 TO THE MONTREAL PROTOCOL

Decision XV/49. Application for technical and financial assistance from the Global Environment Facility by South Africa

*Recalling* decision IX/27, in which South Africa was classified as a developing country, *Recognizing* that the controlled substance in Annex E, methyl bromide, was included as a controlled substance for Article 5 countries in 1997 and that, in the same year, South Africa was also classified as an Article 5 country,

*Noting* that South Africa was not to request financial assistance from the Multilateral Fund for fulfilling commitments undertaken by developed countries prior to the Ninth Meeting of the Parties,

*Noting also* that South Africa expressed the need to apply for technical and financial assistance from the Multilateral Fund to phase out the controlled substance in Annex E at the twenty-second meeting of the Open-ended Working Group of the Parties to the Montreal Protocol,

*Noting further* that, during the twenty-second meeting of the Open-ended Working Group, South Africa was advised to negotiate for bilateral or multilateral assistance from sources other than the Multilateral Fund,

To request the Council of the Global Environment Facility to consider, on an exceptional basis, project proposals from South Africa on phasing out the controlled substance in Annex E for funding as per the conditions and eligibility criteria applicable to all countries eligible for such assistance under the Facility;

Decision XV/50. Continued assistance from the Global Environment Facility to countries with economies in transition

To note with appreciation the assistance given by the Global Environment Facility to phase out ozone-depleting substances in countries with economies in transition, and the commitment by the Facility to continue providing in the future assistance to those countries with respect to all ozone-depleting substances;

Decision XV/51. Institutional strengthening assistance to countries with economies in transition

1. To note with appreciation the assistance that the Global Environment Facility has provided to date to countries with economies in transition;

2. To note also with appreciation that the Council of the Global Environment Facility has earmarked \$60 million to assist countries with economies in transition phase out methyl bromide and HCFCs;

3. To note that, while such assistance has been successful in furthering ODS phase-out, continued institutional strengthening assistance is necessary to ensure that such progress is sustained and that the Parties continue to comply with their reporting obligations;

4. To note the work under way in the Council of the Global Environment Facility to develop a major capacity-building initiative across all its focal areas;

5. To urge those countries with economies in transition that are experiencing difficulty in meeting their obligations under the Protocol to consider working with the implementing agencies to seek assistance for institutional strengthening from the Global Environment Facility;

6. To request the Global Environment Facility to consider favourably such applications for assistance, in accordance with its criteria for its capacity-building;

**ANNEX D: LIST OF RECONSTITUTED STAP III MEMBERS, JULY 1, 2004 - JUNE 30, 2006**

**BIODIVERSITY**

<b>Julia Carabias</b>	-	<b>Mexico</b>	<b>(Chair)</b>
<b>Dr. Cristian Samper</b>	-	<b>Colombia</b>	
<b>Prof. Brian Huntley</b>	-	<b>South Africa</b>	
<b>Dr. Peter Schei</b>	-	<b>Norway</b>	
<b>Prof. Anne Kapuscinski</b>	-	<b>U.S.A.</b>	

**CLIMATE CHANGE**

<b>Prof. Peter Hennicke</b>	-	<b>Germany</b>	
<b>Dr. Anjali Shanker</b>	-	<b>France</b>	
<b>Prof. Thomas Johansson</b>	-	<b>Sweden</b>	
<b>Anand Patwardhan</b>	-	<b>India</b>	

**LAND DEGRADATION**

<b>Dr. Timothy Williams</b>	-	<b>Nigeria</b>	
<b>Dr. Habiba Gitay</b>	-	<b>Australia</b>	<b>(Vice Chair)</b>

**INTERNATIONAL WATERS**

<b>Dr. Hubertus Savenije</b>	-	<b>Netherlands</b>	
<b>Angela Cropper</b>	-	<b>Trinidad &amp; Tobago</b>	<b>(Cross-cutting)</b>

**POPs**

<b>Dr. Saburo Matsui</b>	-	<b>Japan</b>	
<b>Dr. Ibrahim Sani</b>	-	<b>Malaysia</b>	