



# Global Environment Facility

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## PROGRAMMING DOCUMENT FOR GEF-4



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GEF/R.4/7  
May 11, 2005

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Meeting on the Fourth Replenishment of the GEF Trust Fund  
June 9-10, 2005  
Washington, D.C.

## PROGRAMMING DOCUMENT FOR GEF-4

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## **BACKGROUND**

1. The GEF was initially established as a pilot program in 1991 to provide financing to developing countries for the incremental costs of projects that produce global environmental benefits in four areas: biodiversity, climate change, international waters, and ozone depletion. At the UN Conference on Environment and Development in 1992 (Earth Summit), the GEF was recognized as a source of funding for Agenda 21 and other outcomes of the Conference. UNCED also called for the GEF pilot program to be restructured.

2. In 1994, governments agreed to a restructuring of the GEF and recognized it as a mechanism for international cooperation for the purpose of providing new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve global environmental benefits in its four focal areas. In 2002, Governments participating in the GEF agreed to expand the GEF focal areas to include land degradation and persistent organic pollutants in support of the UN Convention to Combat Desertification and the Stockholm Convention on Persistent Organic Pollutants.

3. In 1994, the GEF Trust Fund was replenished (GEF-1) at \$2.0 billion for 4 years. In 1998, the Trust Fund was replenished at \$2.75 billion (GEF-2, 1998-2002) and in 2002, donors committed \$3 billion to GEF-3 (2002-2006). Negotiations are to begin in June 2005 on the fourth replenishment period.

4. This paper presents a proposal for programming resources in the fourth replenishment period. It is assumed that the fourth replenishment will cover GEF operations and activities for the four years July 1, 2006 to June 30, 2010. The paper is structured in two substantive sections. The first section elaborates on initial proposals for programming directions and tools for GEF-4 to ensure that it is responsive to the evolving perspectives of the international community with respect to the global environment and sustainable development. These proposals will need to be discussed and further elaborated in light of the recommendations emerging from the third Overall Performance Study of the GEF and the policy recommendations of the replenishment endorsed by the Council. The second section provides more detailed programming proposals for each of the GEF focal areas and an indication of the outcomes and impacts expected to be achieved with the resources to be provided.<sup>1</sup>

## **SECTION I: PROGRAMMING DIRECTIONS AND TOOLS**

### **Evolution of the global conventions and GEF's need to respond**

5. The GEF Council and the international community have consistently emphasized the GEF's core mandate of providing new and additional financing for the agreed incremental costs of projects and programs in developing countries that produce global environmental benefits. This mandate continues to be the underlying rationale for GEF activities. Nonetheless, during the past decade analysis and deliberations within the international community have led to

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<sup>1</sup> The GEF is preparing detailed strategies for each of the focal areas which will be presented to the replenishment negotiations at their second meeting. The section on focal area programming of this paper is derived from those strategies which are in the final stages of preparation.

evolving views about the ‘how’ of environmental management and about the need for a better integration of environment and development thinking. This thinking has been reflected in the evolution of the four global environmental conventions for which the GEF serves as a financial mechanism. The GEF needs to reflect this evolution in its approaches and tools to fulfill its core mandate.

6. In the past decade, Parties to the conventions have gained valuable experience through their efforts to fulfill the convention objectives, in part with GEF assistance, while scientific analysis and international review have deepened knowledge of the root causes of global environmental challenges. This experience and knowledge provide the basis for improved approaches to achieving on-the-ground results and enhancing the sustainability of our efforts. They have underscored the critical relationship between environmental protection and development and the interconnectivity of global ecosystems.

7. Within the climate change arena there is growing recognition of the need to link efforts to protect the global climate with the growing needs for access to sustainable energy for development. As well, a growing awareness of the need to adapt to the adverse impacts of climate change has highlighted the challenge of “climate proofing” development efforts and the benefits of ensuring the health of natural ecosystems as protection against such adverse impacts.

8. Within the Convention on Biological Diversity, the importance of community involvement and livelihoods as a prerequisite for sustainable protection of natural resources has long been recognized. Lessons learned from GEF-financed projects have emphasized this as a key driver of project success. Its importance is also underscored by the Millennium Ecosystem Assessment’s conclusion that measures to conserve natural resources are more likely to succeed if local communities are given ownership of them, share the benefits, and are involved in decision making. In addition, increasing attention to conservation outside protected areas requires the development of new tools to effectively engage the private sector and markets within the production sectors and landscapes.

9. Underlying agreement on the Stockholm Convention is a shared awareness of the adverse effect persistent organic pollutants have on both humans and the natural environment. The convention recognizes the health concerns, especially in developing countries, resulting from local exposure to persistent organic pollutants. Of particular concern are the impacts upon women and, through them, upon future generations. Interwoven with these health impacts is the long term negative impact of these pollutants on the health of terrestrial and aquatic ecosystems.

10. The UN Convention to Combat Desertification confirms that combating desertification and mitigating the effects of drought requires integrated natural resource management strategies that focus simultaneously on the rehabilitation, conservation and sustainable management of land and water resources, leading to improved living conditions, particularly at the community level.

11. All four conventions acknowledge the synergies between them and the need for more integrated approaches in programming, a conclusion reinforced by the recently released Millennium Ecosystem Assessment.

12. All four conventions acknowledge as well the crucial link between global environmental protection, sustainable development and human welfare, and the negative impacts, particularly on the poor, of not addressing global environmental challenges.

13. It is imperative that the GEF, as a financial mechanism of all four conventions, ensure that its activities fully realize and respond to both the challenge of more integrated approaches to natural resource management and to a strengthened link between environment and development.

14. The GEF is uniquely placed to address these two challenges in an integrated and cost effective manner. During GEF-4, it is proposed that:

- (a) the GEF move towards more integrated approaches to the natural resource management challenges that span the global environmental agreements. Pursuing integration across focal areas, at the various levels, basin – landscape – ecosystem – country – region, will allow GEF to fulfill its role as catalyst and facilitator of global environmental sustainability;

and secondly, that:

- (b) the GEF, with a view to enhancing the potential for sustainable project outcomes, pay even greater attention to integration of global environmental challenges into natural sustainable development policies and programs, enabling the development of markets for global public goods, engagement of the private sector, and impacts on the livelihoods of local and indigenous communities whose support and cooperation is often critical to the success of GEF projects.

### **The Challenge: Moving towards Integrated Resource Management**

15. Historically, the benefits generated beyond the primary focal area of a GEF project intervention have been viewed as incidental. There is, however, a growing recognition of the need for the linkages to be made more explicit and to have GEF projects and programs designed so that the added-value of integration across focal areas is considered from the outset, and that it is monitored and measured accordingly. It is proposed that efforts be initiated in GEF-4 to move the GEF further towards this objective.

16. In GEF-4, efforts will be made to strengthen the ability of the GEF to support integrated approaches to natural resources management. The GEF will seek to promote integration at three levels:

- (a) at the focal area project level, opportunities for collaboration across focal areas within specific interventions that heretofore were not fully exploited will be targeted. This could include, but not be limited to, employing checklists and/or project review criteria to assess the interlinkages across focal areas that a specific project might be better able to accentuate through project design and implementation approaches (i.e., adaptation to anticipated climate change). The work being undertaken by STAP on interlinkages will provide relevant guidance in this regard. In addition, within each focal area strategy for GEF-4,

opportunities for integrated projects will be encouraged, as appropriate. The sharing of the incremental costs of identified integrated projects among relevant focal areas and operational programs will be considered on a case by case basis. This should be done without adding to project complexity;

- (b) at the country level, opportunities for integration will be identified by making use of country programming, efforts to strengthen the role of focal points, the National Dialogue Initiative and the NCSA process. These activities will bring together multiple stakeholder groups and inter-ministerial committees and can serve to foster collaboration across sectors that will be necessary to identify opportunities within their GEF portfolios for integrated approaches to natural resources management. Through its Implementing Agencies, GEF will promote the inclusion of global environmental concerns in the design and implementation of policies and strategies across sectors and seek to make the global environment a central feature of policy dialogue with core ministries; and
- (c) at the program level, i.e., at the level of coordinated multi-project initiatives such as strategic partnerships in the international waters focal area and similar efforts, the GEF will pilot initiatives to demonstrate the application of comprehensive integrated natural resource management approaches whereby focal areas will share the overall incremental costs of interventions that bring together two (or more) focal areas to enhance the generation of global environmental benefits.

17. Adaptation to climate change offers a concrete opportunity to test the operational linkages between the regimes created by the Convention on Biodiversity (CBD), the UN Convention on Climate Change (UNFCCC), and the UN Convention on Desertification (UNCCD). The GEF will support projects that aim at increasing the resilience of ecosystems to climate change impacts, thereby improving natural resource management, increasing the long-term sustainability of project activities, and improving overall cost-effectiveness. The Strategic Priority entitled “Piloting an Operational Approach to Adaptation” (SPA) initially approved in GEF-3 will carry over into GEF-4 and will provide resources to pilot adaptation activities with global environmental benefits.

18. In the biodiversity focal area, coral reefs represent an excellent example of the impact of climate change on biodiversity of global significance. Coral reefs face severe threats from human interventions, threats that are being exacerbated by long-term climatic shifts. The biodiversity portfolio currently includes several projects that seek to manage and mitigate coral reef degradation from non-climate stresses. The onset of climate change will require that future projects include climate change vulnerability assessments and adaptation measures in their design. The application of scientific approaches to recovery mechanisms and enhanced monitoring of coral reef environments will permit us to learn from and strengthen our support for the recovery of coral reef ecosystems. Ultimately, the goal is to conserve and sustainably use coral reefs through interventions that address all causes of biodiversity loss, including the additional threats posed by climate change.

19. Another example emerges from the POPs portfolio. One of the most difficult issues with respect to the phase out of POPs is the use of DDT for malaria vector control. The spread of

malaria is largely kept in check by climatic factors (rain and temperature) necessary for specific species of mosquitoes. Under some scenarios, climate change will expand the range of these mosquitoes and therefore may lead to increased demand for the use of DDT or other dangerous chemicals. To succeed, projects focusing on developing sustainable alternatives to DDT for malaria vector control must take into account the fluctuations in the range of these mosquitoes and the expansion of that range brought about by climate change.

20. Climate change is among the key stress factors accelerating land degradation trends, especially in sub-Saharan Africa. The strong link between land degradation and poverty makes sustainable land management a top priority throughout the region. Current and future climate change will pose an additional challenge to the countries of sub-Saharan Africa. Global circulation models project that the duration and intensity of rainfall in this region will shift, creating greater erosive forces and periods of extreme droughts. In turn, this will have negative impacts on food security and environmental stability. The systematic mainstreaming of adaptation into sustainable land management initiatives will contribute to addressing in a comprehensive way the challenges associated with land degradation, including sustainable forest management, which touches upon the conservation and sustainable use of forest biodiversity, the production of timber and non-timber forest-products and biomass energy.

21. The POPs focal area involves important synergies with broader global objectives for the sound management of chemicals (SMC), other focal areas of the GEF, and relevant environment and development objectives of Agenda 21. The basis for the opportunities for synergies between the POPs focal area and SMC is twofold. Firstly, actions taken consistent with the Stockholm Convention to improve capacities for the sound management of POPs at the national level inevitably strengthen the “foundational capacity” needed for the nation’s sound management of chemicals more generally. Secondly, improving a country’s ability to manage chemicals soundly provides an essential basis for reducing a major threat to the environment and human health.

22. In summary, the GEF will make greater efforts to increase the cost effectiveness and sustainability of its efforts by seeking more coherence within focal areas, greater synergies across its focal areas, and moving to integrated approaches to natural resource management as opportunities arise. GEF will work with its Implementing Agencies to develop incentives, modalities and performance measures necessary for better integrating global environmental concerns in national policy making, coordination and sector planning.

### **The Challenge: Strengthening the Environment and Development Link**

23. Historically, environment and development were to a significant extent distinct domains. Since the Rio Earth Summit the gap has been closing. This is recognized in post-Rio seminal events and processes such as WSSD, the Millennium Development Goals, the Monterrey Consensus, and most recently, the Millennium Ecosystem Assessment. The evolution of the four GEF global conventions over the last decade has reflected this reality.

24. In the UNFCCC, the increasing focus on adaptation necessarily leads to a greater focus on development concerns. In the CBD, its focus on the sustainability of protected areas has led to greater attention to livelihoods, local communities, and indigenous people. Its second objective,



sustainable use of biodiversity, takes the focus of its biodiversity work into the heart of productive activities and local communities. The links between the UNCCD and development are obvious. Human health and environmentally sensitive development is at the heart of POPs concerns.

25. The importance of strengthening the link between the global environment and development is of paramount importance and is a challenge the GEF will continue to address. Over the long-term, the environment must become an integral part of how societies view development. There is an increasing recognition that for this integration to be successful, it is necessary to recognize the linkages between poverty reduction and environmental protection, to build on the interconnectedness among local, regional and global benefits, and to harness market forces to promote environmental sustainability and the generation of global public goods.

26. The GEF recognizes the links between local, regional and global environmental management and will seek ways to improve the quality of the regional and global environment through interventions that simultaneously bring local benefits to developing countries. For example, GEF assistance in the biodiversity focal area will continue to support projects that generate multiple benefits (social, ecological and economic) and that have strong linkages to the health, livelihoods and vulnerability of the poor. In the climate change focal area, GEF assistance will help remove barriers that impede the development of sustainable markets for renewable energy applications in order to enhance energy access in countries.

### **Improving GEF's Performance: Tools to enhance delivery of results**

27. The previous sections describe two broad themes - integrated resource management and environment/development linkages – the importance of which has grown over the last decade and which the GEF will continue to incorporate more strategically into its thinking and programming. The way to do that, and achieve as well the other ongoing objectives of the GEF mandate, will be significantly influenced by management of GEF-4 activities. Drawing on the evolution of its operations during the first three replenishments, policy work undertaken by the Council, evaluations of GEF activities, guidance of the global environmental conventions, and other relevant developments in the international policy debate on the environment, the major elements of the management agenda in GEF-4 will be:

- (a) allocating resources in accordance with the resource allocation framework agreed by the Council;
- (b) developing a system for improved knowledge management;
- (c) improved management of the project cycle and pipeline;
- (d) enhanced communications, particularly with GEF clients;
- (e) building capacity and dialogue at the country level; and
- (f) strengthened engagement with the private sector.

## **Resource Allocation Framework**

28. The Council has been addressing the development of a GEF resource allocation framework at its meetings over the last two years (May 2003, November 2003, and May 2004, Paris seminar September 2004, and November 2004). Comments and perspectives emerging from these meetings have guided the development of the allocation framework.

29. The implementation of a resource allocation system will promote transparency in resource allocation and allow the GEF to enter into a programmatic dialogue with countries, enhancing the prospects for successful project and program outcomes. Each country will be aware of its allocation for a replenishment period, and this knowledge will enable countries to work with the GEF at the beginning of a replenishment period to identify and plan the priority projects and programs it would like to undertake in partnership with the GEF and other donors.

30. As implementation of the RAF unfolds over the GEF-4 period, the GEF will bring to the Council's attention emerging implementation and management lessons so as to allow for the evolution of the RAF based on lessons learned from its application.

## **Knowledge Management**

31. The GEF, with its vantage point and project portfolio across important global conventions, is in a truly unique position to learn from its experience. The limited resources of the GEF relative to the scale of the problems which it is addressing necessarily means that its success will be determined less by the direct quantitative results it achieves than by its ability to generate knowledge, share lessons, and provide the basis for replication. A professional knowledge management capacity across the GEF family is essential for these purposes. While each of the Implementing Agencies has put in place knowledge management systems, the GEF family as a whole has no such system. Over the course of GEF-4 it will be a goal to establish an integrated GEF knowledge management system, fully taking into account the systems and valuable experience of the Implementing Agencies.

## **Streamlining the Project Cycle**

32. During GEF-3, the Council and many others expressed continuing concern that the GEF project cycle is overly complex and time consuming. Studies conducted by the Office of Monitoring and Evaluation show that it takes on average three years to prepare a full-sized project for implementation. In GEF-4, the GEF Secretariat, the Implementing Agencies, and the Office of Monitoring and Evaluation will intensify their efforts to identify opportunities for streamlining the project cycle. On the basis of a comprehensive review to be undertaken by the Office of Monitoring and Evaluation and taking into account the implementation of the Resource Allocation Framework, it may well be necessary to propose a significantly revamped project cycle for Council approval.

## **Pipeline Management**

33. The GEF Secretariat and the Implementing Agencies have jointly made a concerted effort to better manage the pipeline of projects during the latter stages of GEF-3. These efforts will be

continued during GEF-4, and will need to be adjusted to reflect the requirements of the Resource Allocation Framework. The Secretariat and the Agencies have focused on “disciplining” the project pipeline by drawing attention to, and removing from the pipeline, project proposals that are not moving towards submission to the Council. A second review is concerned with Council approved projects proposals that are not progressing towards final approval by the Implementing or Executing Agency concerned. Not only do these “stalled” concepts and project proposals tie up resources that could be deployed elsewhere, they also contribute to the perception that the GEF project cycle is lengthy and unduly slow. In GEF-4 efforts will be continued to move forcefully in managing the pipeline.

## **Communications**

34. The GEF continues to be relatively unknown at the “retail” level: i.e., in recipient countries. The GEF Secretariat and Implementing Agencies will continue to seek improvements in their outreach and communication activities, especially with regard to providing clearer information to recipient countries and other stakeholders on the role and mandate of the GEF and how to access GEF resources. These efforts will be fully coordinated with the activities to be developed to strengthen multistakeholder consultations, planning, and capacity building at the country level.

## **Capacity Building and Dialogue at the Country Level**

35. The success of GEF’s efforts to promote global environmental benefits and the success of countries’ development aspirations are significantly determined by the capacity of the recipient country’s people and institutions. Historically, the GEF has channeled its capacity development efforts through the enabling activities for the global conventions and capacity building components embedded in investment projects. With the new strategy approved by Council, capacity building is now being addressed in a more comprehensive and structured way. *The Strategic Approach to Enhancing Capacity Building* will not only promote the coordination of enabling activities and capacity building, but help to lay the foundation for the creation of synergies between environmental and national sustainable development activities. This is essential if the GEF is to deepen and enhance capacity building interventions to strengthen individuals, institutions and systems.

36. Capacity building tools such as the National Capacity Self Assessments (NCSAs) will contribute to the development of cross focal area capacities. Capacity needs identified as a result of the NCSAs will form the basis for GEF’s capacity building projects. Financing will be provided to countries, with an emphasis on LDCs and SIDS, to support a holistic approach to management of global environmental issues which will catalyze cross-sectoral collaboration and multi-level interventions to integrate GEF activities across the focal areas.

37. The GEF, in particular by utilizing the country dialogue of its Implementing Agencies, will promote increased interaction between key government agencies and stakeholders and the development of national coordination mechanisms to contribute to more effective integration and mainstreaming. Multi-sectoral dialogues and planning will seek to enhance linkages across focal areas, thus reinforcing integration and mainstreaming, while efforts will be supported to improve

the capacity of civil society to contribute to global environmental management at the national level.

## **Private Sector**

38. The GEF has always recognized the importance of the private sector in terms of global environmental impact, resources, technology transfer, and the sustainability of global environmental benefits. As the GEF matures and evolves from financing a broad range of enabling activities and capacity building to a more significant focus on implementation, the role of the private sector as a partner in achieving the GEF objectives becomes even more important. An enhanced private sector role is essential in terms of both the technical and financial resource requirements for successful project implementation.

## **SECTION II: PROGRAMMING FOR GEF-4**

39. This section presents proposals for programming resources in the fourth replenishment period to cover GEF operations and activities for the four years FY07 through FY10. The suggested resources for the period take into account the significant growth in both the absorptive capacity of countries and the delivery capacity of the Implementing Agencies and Executing Agencies, particularly in the two “youngest” focal areas of land degradation and persistent organic pollutants. Both absorptive and delivery capacity have grown to the extent that neither would be a constraint on operations under any likely funding scenario.

40. The absorptive capacity of countries is evidenced by their growing engagement in the processes of the international environmental conventions; the assessment of needs reflected in the Conventions decisions; the guidance from the conventions on strategies, policies and program priorities; the results of enabling activities; and the growing demands for GEF financing as evidenced by countries’ dialogues with the Implementing and Executing Agencies. The delivery capacity of the agencies is evidenced by the growth of the GEF pipeline and by the increased number of staff in the agencies knowledgeable about the GEF objectives and policies and experienced in implementing GEF projects.

41. This section presents programming proposals on the basis of three funding scenarios: the same funding level as GEF-3; a ten percent increase; and a twenty-five percent increase. For each of the three funding scenarios, a set of GEF commitments is proposed under each focal area to act as reference levels for detailed programming. Each focal area presents information on strategic objectives and outputs. Indicative allocations of resources to be programmed under the strategic objectives are provided, although these may need to be revised in the annual business plan as the pipeline for GEF-4 matures.

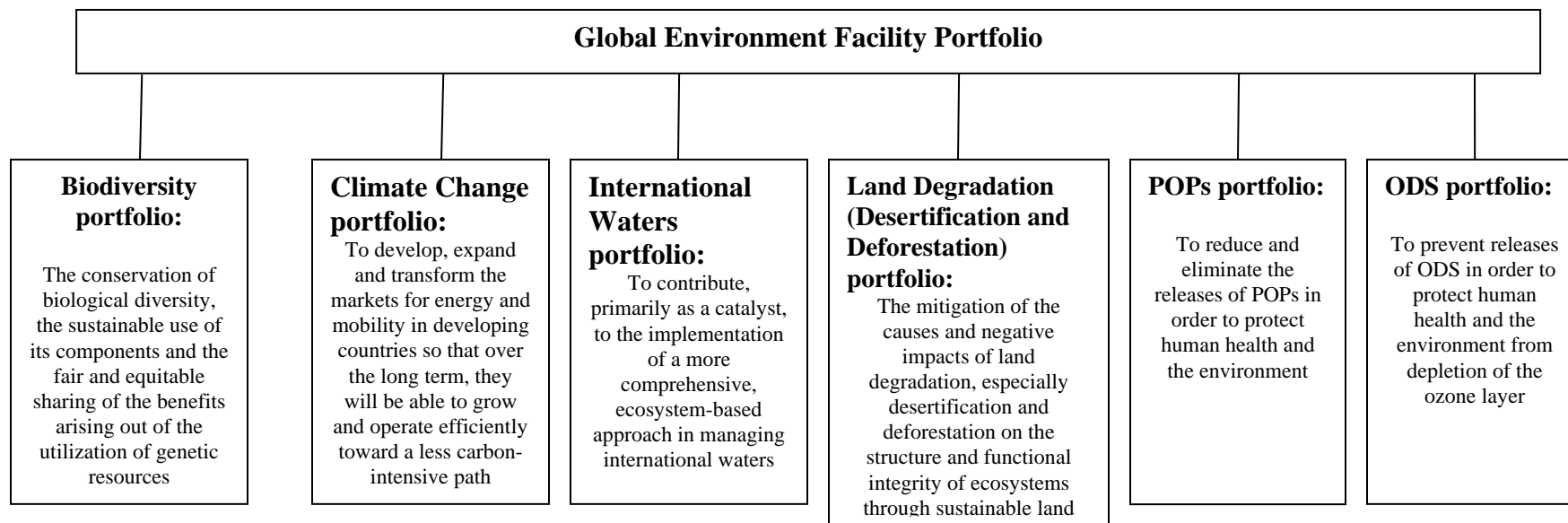
42. While the RAF will enhance country ownership and decision making at the country level, it should be recognized that country programming inherent in an RAF system may make it difficult to achieve programmatic outcomes under strategic objectives in the focal areas to which the RAF will be applied. During the initial application of the RAF in GEF-4, experience will need to be gained on how best to match targets for programmatic outputs for the focal area with bottom up requests from the countries pursuant to their allocations.

43. The proposed allocation to focal areas under each of the three scenarios is set forth in the following table. In proposing these scenarios, the GEF Secretariat and the Implementing Agencies are acutely aware of the expanded mandate of the GEF and pressure to increase resource allocations in the new focal areas of land degradation and POPs. During GEF-3, financing in these two focal areas has been primarily for enabling activities, assessing needs and basic capacity building which has led to increased demand for project resources to address the priority needs of countries. Similar pressure exists in the international waters focal area which has used its resources to date for enabling-type activities for countries collaborating on their specific transboundary basin or marine ecosystem. These countries are now also ready to move to on-the-ground action to address agreed transboundary concerns which would require increased resources from the GEF. These pressures are coupled with continuing guidance in the biodiversity and climate change focal areas for advancing the agendas of the conventions. Donors should also be aware of on-going discussions in numerous other conventions and international fora (e.g., Ramsar Convention, CITES, International Whaling Convention, Basel Convention, Rotterdam Convention, UN Forum on Forests, SAICM) regarding the need for financial resources and/or financial mechanisms. Participants in these processes are considering proposals to request financing from the GEF Trust Fund.

#### **Proposed Allocation to Focal Areas for Three Scenarios**

	<b>GEF-4: Scenario 1 3.0 billion</b>	<b>GEF-4: Scenario 2 (10%) 3.3 billion</b>	<b>GEF-4: Scenario 3 (25%) 3.75 billion</b>
Biological diversity	850	880	1,000
Climate change	850	880	1,000
International waters	370	400	500
Land degradation	270	370	400
Ozone layer depletion	50	50	50
Persistent organic pollutants	270	370	400
Corporate Programs	240	240	280
Corporate budget	100	110	120

44. The table below summarizes the objectives of the GEF under each of the focal areas.



45. The programming for each focal area proposed in the remainder of this document reflects on-going work to prepare detailed strategic plans for each of the focal areas. These strategies will be presented to the replenishment negotiators at their second meeting.

## **1. Biodiversity**

### *Background and Context*

46. Biodiversity is under heavy threat and its loss is considered one of the most critical current challenges to humankind. Precise estimates of the magnitude of this loss are unavailable, mostly because of the lack of reliable baseline information at all levels. For example, scientists estimate that only between 1% and 10% of all species that probably exist on the planet have been described. Notwithstanding this lack of precise baseline data, current trends in biodiversity loss are a major cause for alarm.

47. At the species level, the *Red List of Threatened Species* keeps track of species trends. Currently, over 15,000 species are threatened with extinction and for most major groups, the number of threatened species range from 12% to 52% of all species known within each group. The most alarming fact is that current rates of extinction exceed extinction rates in the fossil record by a factor of 50 to 500 times (or even 100-1,000 times according to the MEA).<sup>2</sup>

48. More importantly, however, biodiversity loss at the ecosystem level threatens the life-support systems that maintain societies and economies. The *Millennium Ecosystem Assessment* recently reported that 60 % (15 out of 24) ecosystem services are being degraded or used unsustainably. The loss of these ecosystems and their functions has serious consequences for life on the planet. Ecosystem loss and degradation further accelerates the loss of species, reduces current and future services to societies, and disproportionately impacts on poor people.

### *CBD Convention Guidance*

49. As the financial mechanism of the CBD, the GEF biodiversity program follows the guidance of the CBD in setting its programming policies and priorities. The guidance to date is extensive but has emphasized in-situ conservation along the six main thematic work programs: marine and coastal; inland waters, forests, mountain, agricultural, and dry and sub-humid lands. A seventh thematic work program is under preparation that focuses on island biodiversity. In addition to these themes, the guidance has included among the priorities to be financed activities related to: biosafety; access to genetic resources and benefit sharing; traditional knowledge, innovation and practices; sustainable use; biodiversity and tourism; indicators, taxonomy; public education, communication and awareness; incentives; and invasive alien species.

50. In addition to the guidance of the Convention, the GEF has taken note of the CBD's Strategic Plan for the Convention which commits parties to a more effective and coherent implementation of the Convention. The Plan seeks to achieve by 2010 a significant reduction of the current rate of biodiversity loss at the global, regional, and national levels as a contribution to

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<sup>2</sup> 2004 IUCN Red List of Threatened Species: A Global Species Assessment. IUCN Species Survival Commission. 2004, Gland.

poverty alleviation. It contains four strategic goals and objectives.<sup>3</sup> COP VII developed a framework to enhance the evaluation of achievement and progress in the implementation of the Plan and, in particular, its mission to achieve a significant reduction in the current rate of biodiversity loss at global, regional and national levels. It also identified provisional indicators for assessing progress towards the 2010 biodiversity target.

### *Strategic Priorities in GEF-3*

51. In response to the *Second Program Study of the GEF Biodiversity Program*, the GEF developed strategic priorities to further sharpen the strategic focus of the operational programs. The strategic priorities for GEF-3 reflect the rich implementation experience emerging from a portfolio that is a decade old, as well as studies and evaluations undertaken of the biodiversity program. The strategic priorities internalize the guidance from the Convention and the most pertinent recommendations that have emerged from various evaluation exercises and provide a framework for the entire portfolio that, *inter alia*:

- (a) places greater emphasis on sustainability of results and the potential for replication;
- (b) moves beyond the current projects-based emphasis where appropriate, to more strategic approaches that systematically target country enabling environments to address biodiversity conservation over the long term;
- (c) inserts biodiversity within other sectors through mainstreaming it in the wider sustainable development context and economic sectors;
- (d) engages with the private sector more effectively;
- (e) increases support for CBD objectives on sustainable use and benefit sharing;
- (f) addresses stakeholder participation more systematically;
- (g) continues to enhance integration of GEF activities in the development agenda within the context of country-driven Poverty Reduction Strategy Papers (PRSPs), Country Assistance Strategies (CAS) and other such tools; and
- (h) improves dissemination of tools, lessons learned and best practices among broader audiences.

52. Strategic priorities during GEF-3 are:

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<sup>3</sup> The agreed four goals and objectives addressed in the Annex of Decision VI/26 include: 1. the Convention is Fulfilling its leadership role in international biodiversity issues; 2. Parties have improved financial, human, scientific, technical and technological capacity to implement the Convention; 3. National Biodiversity Strategies and action plans (NBSAPs) and the integration of biodiversity concerns into relevant sectors serve as an effective framework for the implementation of the objectives of the Convention; and 4. There is a better understanding of the importance of biodiversity and of the Convention, and this has led to broader engagement across society in implementation.



- (a) catalyzing sustainability of protected area systems;
- (b) mainstreaming biodiversity in production landscapes and sectors;
- (c) capacity building for the implementation of the Cartagena Protocol on Biosafety; and
- (d) generation and dissemination of best practices for addressing current and emerging biodiversity issues.

53. Most resources (82%) have been allocated to addressing the first and second priority above, reflecting a strong emphasis of the program on in-situ conservation and sustainable use.

*Proposed Strategic Objectives in GEF-4*

54. The rationale that underpinned the development of the strategic priorities for GEF-3 remains largely unchanged and thus, the proposed approach in GEF-4 emphasizes continuity and is consistent with the recommendations from the *Third Biodiversity Program Study*. Nevertheless, the experience gained during GEF-3 has allowed the GEF to sharpen the focus of these initial objectives.

55. In order for the GEF biodiversity portfolio to make the most effective contribution to the objectives of the CBD, the strategic emphasis of the portfolio will be directed towards conserving and sustainably using biodiversity within protected areas and mainstreaming biodiversity in production landscapes and sectors. These two strategic objectives provide a flexible window to implement the guidance of the Convention and reflect current thinking in the conservation community of the imperative to both secure the global protected area estate while integrating biodiversity considerations into those sectors that provide an opportunity for biodiversity conservation and sustainable use to develop and persist within more far-reaching socio-economic processes. These are also the main contributors towards the CBD's 2010 targets.

56. When taken together, these two strategic objectives provide the necessary tools to ensure in-situ biodiversity conservation and sustainable use in a geographically continuous way, and facilitate the implementation of the ecosystem approach at national levels.

57. The third strategic objective is consistent with the objective of the Cartagena Protocol to contribute to ensuring an adequate level of protection in the field of the safe transfer, handling and use of living modified organisms resulting from modern biotechnology that may have adverse effects on the conservation and sustainable use of biological diversity, taking also into account risks to human health, and specifically focusing on transboundary movements. Activities will focus on capacity building in response to the guidance from the CBD and the Cartagena Protocol.

58. Supporting these three strategic objectives, lessons learned from successes and failures in conservation and sustainable use of biodiversity will be identified, disseminated and incorporated into future project design and implementation.

59. Proposed priorities for GEF-4 incorporate implementation experience to date and improved understanding of technical issues and respond to the most relevant aspects of the GEF Biodiversity Program Study 2004. Monitoring of the portfolio to measure progress in achieving outcomes is also enhanced.

60. The following descriptions expand on the rationale and focus of the proposed strategic objectives during GEF-4.

*Strategic objective 1: Catalyzing sustainability of protected area systems at national levels*

61. Protected areas (PAs)<sup>4</sup> remain the critical foundation of biodiversity conservation worldwide, and as such, they will continue to be supported as a major thrust of GEF-4. This objective encompasses the achievement of ecological, institutional, social, political and financial sustainability in the context of national-level PA systems.

62. The key goal of this objective is to conserve biodiversity in PA systems through the expansion, consolidation, and rationalization of national PA systems. This would include addressing PA system coverage gaps defined by ecological representativeness (coverage of ecosystems within a PA system), ecological and evolutionary processes or other criteria. GEF support to assessing and filling gaps in PA systems will concentrate on those sites that are of high biodiversity value and globally significant. Its operational focus will be flexible and be based on a thorough understanding of key strengths and weaknesses at the system and national institutional levels, and on how any given individual intervention contributes towards long-term sustainability within a PA systems context. The types of operational activities that the GEF will support include: (a) demonstration and implementation of innovative financial mechanisms; (b) capacity building for long-term sustainability, (c) catalyzing community – indigenous initiatives; and (d) removal of barriers to facilitate public – private partnerships.

*Strategic objective 2: Mainstreaming biodiversity conservation within production landscapes and sectors*

63. According to the Hague Declaration on WSSD: “The most important lesson of the last ten years is that the objectives of the Convention will be impossible to meet until consideration of biodiversity is fully integrated into other sectors. The need to mainstream the conservation and sustainable use of biological resources across all sectors of the national economy, the society and the policy-making framework is a complex challenge at the heart of the Convention”<sup>5</sup>. The objective of mainstreaming biodiversity is to internalize the goals of biodiversity conservation and the sustainable use of biological resources into economic sectors and development models, policies and programs, and therefore into all human behavior.

64. The geographic focus of this strategic objective will be outside of protected areas, although opportunities will be sought to complement GEF-funded and other interventions to strengthen protected area networks. The GEF will finance the incremental costs of measures to

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<sup>4</sup> Protected areas are not limited to formal national parks and legal entities but will also include indigenous and private reserves whose objective is biodiversity conservation.

<sup>5</sup> Hague Ministerial Declaration from COP VI to WSSD, 2002

mainstream biodiversity in production landscapes and sectors, without subsidizing the costs of enterprises in doing regular business and taking due precautions to ensure the sustainability of outcomes. The GEF will fund efforts to remove key barriers to the development and uptake of mainstreaming opportunities in different production landscapes and sectors by strengthening capacities at the systemic, institutional and individual levels, and undertaking demonstration activities to catalyze innovation in production processes and increase management know-how. Knowledge management activities in support of mainstreaming opportunities may also be funded under this strategic objective.

*Strategic objective 3: Capacity building for the implementation of the Cartagena Protocol on Biosafety*

65. An adequate level of protection in the field of the safe transfer, handling and use of living modified organisms resulting from modern biotechnology that may have adverse effects on the conservation and sustainable use of biological diversity, taking also into account risks to human health, and specifically focusing on transboundary movements, constitutes a high priority for recipient countries. This objective will respond to the guidance from the CBD and the Cartagena Protocol COP/MoP1. In GEF-3, the focus has been on helping countries develop national biosafety frameworks and during GEF-4 this will continue with an increasing focus on capacity building to assist their implementation.

66. This strategic objective focuses on developing systemic and institutional capacity building for biosafety including training in risk assessment and management of living modified organisms with the participation of relevant government sectors such as agriculture, fisheries, forestry, industry, environment, education, manufacturing, trade and health as well as community and private sector stakeholders.

*Strategic objective 4: Generation and dissemination of good practices for emerging issues in biodiversity*

67. GEF evaluations have shown that lessons and good practices<sup>6</sup> need to be better understood and more widely disseminated both internally and externally to produce further improvements in project design implementation, and results. Furthermore, addressing emerging biodiversity issues often requires pilot activities before clear operational guidance and good practice is fully understood.

68. A key goal will be to improve the analysis, synthesis and dissemination of good practices, innovative approaches and new tools in biodiversity. This priority will be cross-cutting and will address good practice in objectives 1 to 3, with a distinct emphasis on strategic objectives 1 and 2 in accordance with importance and financial allocations, and within the context of guidance from the COP of the CBD. A project currently in the pipeline, *Strengthening Capacity to Generate, Disseminate and Adopt Good Practices in Biodiversity Conservation* is expected to make a major contribution to this objective.

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<sup>6</sup> The term “good practice” is used in preference to “best practice” because the quality of different “practices” of biodiversity conservation will be context-specific. Something that may be “best” in one situation may be bad, or “worst” in another.

69. Emerging issues that have been identified for potential support during GEF-4 could include: (a) conservation and sustainable use of island biodiversity, particularly as it relates to the prevention, control and management of invasive alien species; (b) capacity building to prevent, control and manage invasive alien species; (c) access to genetic resources and benefit sharing; (d) technology transfer issues, based on the recently received guidance from COP-7; (e) application of the Addis Ababa principles on Sustainable Use of Biological Resources and (f) direct payments for in-situ conservation.

*Measuring Results of the Biodiversity Portfolio*

70. The process to measure the results of the biodiversity portfolio represents a continuation of the approach that was established during GEF-3. Portfolio-level monitoring tools ("tracking tools") have been developed and will be applied to measure progress in achieving coverage and impact targets for Strategic Objectives One and Two of the focal area. The tracking tools permit the aggregation of project level outputs and outcomes to the program level and are the means by which the achievement of the program level targets will be verified.

## Expected Outcomes and Targets for GEF-4 Strategic Objectives: Biodiversity

Strategic Objective	Primary Outcome	Scenario 1 \$850 million	Scenario 2 \$880 million	Scenario 3 \$1,000 million
I. Catalyzing Sustainability of Protected Areas <sup>7</sup>	Biodiversity conserved and sustainably used through the expansion, consolidation, and rationalization of national PA systems.	<p>\$425 million</p> <p>Targets and Indicators<sup>8</sup></p> <p>At least 40 countries receive support for strengthening PA systems to ensure their long-term sustainability.</p> <p>75% of PA systems demonstrate improved management effectiveness against baseline scenarios by mid-term and end of project.</p> <p>At least 400 PAs supported (through about 66 projects) – of which at least 20% should be new additions and at least 25% should be marine or freshwater protected areas.</p> <p>75% of individual PAs demonstrate improved management effectiveness against baseline scenarios by mid-term and end of project in management effectiveness as a contribution to a national PA system.</p> <p>At least 80 million ha of PAs supported.<sup>9</sup> Number of freshwater and marine protected areas.</p> <p>Number of protected areas and total hectares under any “global priority lists” or other international recognition (e.g., Biosphere reserves, World Heritage Sites, Ramsar, WWF Global 200 etc.).</p>	<p>\$425 million</p> <p>Targets and Indicators</p> <p>Same as Scenario 1</p>	<p>\$545 million</p> <p>Targets and Indicators</p> <p>Scenario 1 plus at least 10 projects covering 50 freshwater ecosystem or marine protected areas.</p> <p>75% of individual PAs demonstrate improved management effectiveness against baseline scenarios by mid-term and end of project in management effectiveness as a contribution to a national PA system.</p>

<sup>7</sup> Protected areas are not limited to formal national parks and legal entities but will also include indigenous and private reserves whose objective is biodiversity conservation.

<sup>8</sup> The “coverage” targets are based on estimates of past funding and are met and accounted for at work program inclusion and are most easily expressed in number of hectares covered, numbers of projects, and number of countries.

<sup>9</sup> The coverage targets for the portfolio have been developed based on FY91-04 of GEF support to protected areas. Average conservative estimate applied towards the targets: \$5/ha per PA; \$1 mil/PA; and 6 PAs/project. These are based on the following sources:

<p>II. Mainstreaming Biodiversity within Production Landscapes and Sectors</p>	<p>Conservation and sustainable use of biodiversity integrated into production systems and sectors, development models, policies and programs.</p>	<p>\$270 million</p> <p>At least 10 projects in each production sector (forestry, fisheries, agriculture and tourism etc.) targeted to mainstreaming biodiversity into the sector.</p> <p>Targets and Indicators</p> <p><i>Landscapes and Sites</i> At least 75 million ha in production landscapes and seascapes that contribute to biodiversity conservation or the sustainable use of its components.</p> <p><i>Public Sector Enabling</i> Environment: 7 (70%) projects in each sector that have supported the incorporation of biodiversity aspects into (a) sector policies and plans at national and sub-national levels; (b) legislation; (c) implementation of regulations and its enforcement; and (d) monitoring of enforcement.</p> <p><i>Implementing and Executing Agencies</i> 50% of projects mainstream biodiversity into IA/ExEA development assistance, sector, lending programs or other technical assistance programs.</p> <p><i>Private Sector</i> Measurement of cumulative market changes to which GEF projects have contributed. Measurement will vary depending on sector and the unit of measure of market impact.</p> <p><i>Individuals</i></p>	<p>\$300 million</p> <p>Additional 4 projects directly engaging private industry</p> <p>Targets and Indicators Same as Scenario 1</p>	<p>\$300 million</p> <p>Targets and Indicators Same as Scenario 1</p>
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- (i) Source: GEF Biodiversity Program Indicators: An Analysis of Coverage, Oct. 2002 and additional reviews of FY02, 03 and 04. GEF funded 1426 Protected Areas covering 269 million hectares through 257 projects with \$1324 million from FY91-04. This gives average GEF support of \$4.92/ha, \$0.928 mil/PA; and c.5.5 PAs/project.
- (ii) Source: GEF Biodiversity Indicators: An Analysis of Coverage, Oct. 2002. GEF funded 894 Protected Areas covering 162 million hectares through 169 projects over a 10 year period with \$960 mil (FY91-01). This gives average GEF support of \$5.93/ha, \$1.07 mil/PA; and c.5.2 PAs/project.
- (iii) Analysis of only FY02, 03 and 04 revealed the following: GEF funded 88 projects covering 107 million hectares through with a total funding of US\$364 million resulting in an average of \$3.4/ha, 0.68 million/PA, and 6.2 PAs per project.

		Number of individuals that demonstrate improved livelihoods based on sustainable use and harvest against the baseline scenarios.		
III. Capacity Building for the Cartagena Protocol on Biosafety	Enhanced management capacity developed for the implementation of the Cartagena Protocol on Biosafety.	<p>\$75 million</p> <p>All eligible Parties to the CBD that have expressed the intention of becoming Parties to it receive capacity building to prepare for entry into force of the Protocol.</p> <p>Targets and Indicators</p> <p>70% of all eligible Parties to the Protocol receive more advanced capacity building for implementation of the Protocol.</p> <p>50% of countries with projects have enacted domestic legislation / regulations to give effect to provisions of the Protocol.</p> <p>50% of countries with projects have institutional arrangements at the local level for the purpose.</p> <p>70% of countries of total possible that have completed draft biosafety frameworks and started to implement biosafety frameworks.</p>	<p>\$75 million</p> <p>Targets and Indicators Same as Scenario 1</p>	<p>\$75 million</p> <p>Same as Scenario 1</p>
IV. Generation and Dissemination of Good Practices for Addressing Current and Emergin Issues in Biodiversity	Improved analysis, synthesis and dissemination of good practices, innovative approaches and new tools, and emerging technical and social issues in biodiversity conservation from projects and programs supported and implemented by GEF and other actors.	<p>\$80 million</p> <p>Dissemination of good practices in biodiversity conservation</p> <p>Targets and Indicators</p> <p>Improved design and implementation of projects</p> <p>Increased impact of project interventions</p> <p>Increased in innovation in project design and implementation</p>	<p>\$80 million</p> <p>Targets and Indicators Same as Scenario 1</p>	<p>\$80 million</p> <p>Targets and Indicators Same as Scenario 1</p>

## 2. CLIMATE CHANGE

### *Background and Context*

71. In its Third Assessment Report, IPCC states that human activities account for the increase in atmospheric concentrations of greenhouse gases (GHG) causing a rise in mean global temperatures. The study found “new and stronger evidence that most of the warming observed over the last 50 years is attributable to human activities”.<sup>10</sup> Even the most optimistic IPCC emissions scenarios predict further rises of carbon dioxide concentrations, globally averaged surface temperature, and the global mean sea level. IPCC models project that greenhouse gas forcing in the 21st century could set in motion large-scale, high-impact, non-linear, and potentially abrupt changes in physical and biological systems over the coming decades, including extreme weather events.

72. The objective of the UN Framework Convention on Climate Change (UNFCCC) is the “stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.”<sup>11</sup> Stabilization of atmospheric CO<sub>2</sub> concentrations at 550ppm would require total global CO<sub>2</sub> emissions to drop below 1990 levels within a few decades and continue to decrease steadily thereafter to a small fraction of current emissions. IPCC concludes: “The climate change issue is part of the larger challenge of sustainable development. As a result, climate policies can be more effective when consistently embedded within broader strategies designed to make national and regional development paths more sustainable.”<sup>12</sup>

### *Guidance from the UNFCCC*

73. Consistent with the Convention’s objective, the GEF supported its first mitigation projects in the climate change focal area in 1991. GEF’s report to the first meeting of the Conference of Parties describes the strategic dilemma between two possible pathways: maximization of short-term impacts by supporting projects with immediate greenhouse abatement impacts using standard technologies, versus a long-term maximization of cost effectiveness of climate-related measures by encouraging “those abatement and sequestration measures that are needed by developing countries in the long run and whose costs would decline if they were implemented in scale now.” The COP and the GEF Council eventually adopted “a mixed strategy wherein projects will be selected with a double set of program priorities, that is, if they meet either one of the long-term program priorities or one of the short-term program priorities.”<sup>13</sup>

74. The GEF continuously integrates Convention guidance in its programming, and reports on this to the COP as required by the Memorandum of Understanding between the two bodies. The initial guidance to the GEF already reflects what has been reinforced in many subsequent COP decisions: high priority is to be given to the funding of National Communications. The

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<sup>10</sup> IPCC TAR Summary for Policymakers, 2001, p5

<sup>11</sup> Article 2, UNFCCC

<sup>12</sup> IPCC, 2001, p. 4

<sup>13</sup> Decision 12/CP.1



GEF has also been requested to support developing countries in the implementation of their commitments by funding training of experts and institutional development, national public awareness for climate change and response measures, capacity building, and national climate change programs, and their implementation, including the support of agreed activities to mitigate climate changes. The COP has also emphasized that the GEF should maintain flexibility to respond to changing circumstances, including new guidance.<sup>14</sup>

75. With respect to adaptation, COP decision 12/CP.1 defined a staged approach for support to adaptation. Stage I, consisting of planning and studies on climate change impacts and vulnerability assessments, has been supported through initial national communications. Stage II, defined to include identification of measures to prepare for adaptation, including further capacity building, was given priority for GEF funding until COP 4.<sup>15</sup> Stage III, which includes measures to facilitate adequate adaptation, was given priority in a decision made at COP 7 calling for the GEF to “establish pilot and demonstration projects that will provide real benefits, and may be integrated into national policy and sustainable development planning”.<sup>16</sup> COP 10 requested the GEF to report on all adaptation activities being undertaken in the Strategic Pilot on Adaptation; the Special Climate Change Fund; the Least Developed Countries Fund; the Small Grants Program; and all other efforts to mainstream adaptation into the GEF focal areas.

#### *Climate Change Strategy*

76. According to the GEF Operational Strategy, “the strategic thrust of GEF-financed climate change activities is to support sustainable measures that minimize climate change damage by reducing the risk, or the adverse effects, of climate change. The GEF will finance agreed and eligible enabling, mitigation, and adaptation activities in eligible recipient countries.”

77. The bulk of the GEF’s resources in the climate change focal area are directed toward projects seeking to reduce GHG emissions. Initial national communications were funded, and national communications from over 120 non-Annex I countries have been presented to the COP. Funding for second and subsequent national communications is being managed by UNDP and UNEP through the National Capacity Support Program with GEF Secretariat oversight. This includes Stage I and II adaptation activities. Further guidance from the COP has resulted in four avenues for funding adaptation, three of which are already operating: (1) the Strategic Priority for Adaptation (SPA); (2) the Special Climate Change Fund (SCCF), recently established to address both adaptation and technology transfer; (3) the Least Developed Country Fund (LDCF), for development and implementation of national adaptation programs of action for the LDCs; and (4) the Adaptation Fund, to be funded from proceeds of the Clean Development Mechanism under the Kyoto Protocol.

78. As the last three of these sources for funding adaptation projects are separate trust funds, they will not figure further in this discussion. Funding for piloting an operational approach to adaptation from the GEF Trust Fund constitutes an important path to link global and local

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<sup>14</sup> Decision 2/CP.4. A more complete summary of the Convention guidance and GEF compliance is contained in the Climate Change Program Study 2004 of the GEF Office for Monitoring and Evaluation.

<sup>15</sup> Decision 2/CP.4

<sup>16</sup> Decision 5/CP.7

benefits, and all GEF focal areas (biodiversity, climate change, international waters, land degradation, ODS and POPs). In 2003, the GEF allocated \$50m to support adaptation activities with global environmental benefits. Current program development indicates that \$30m will be allocated from the resources during GEF-4 to meet the initial commitment.

#### *Climate change strategic priorities in GEF-3*

79. Building upon the conclusions of the first *Climate Change Program Study* and the *Second Overall Performance Study of the GEF* completed at the end of GEF-2, programming in the climate change focal area was guided by 6 strategic priorities during GEF-3:

- (a) market transformation for high volume low GHG products or processes;
- (b) increased access to local sources of financing;
- (c) power sector policies and policy frameworks supportive of renewable energy and energy efficiency;
- (d) productive uses of renewable energy;
- (e) global market aggregation and national innovation for emerging technologies; and
- (f) modal shifts in urban transport and clean vehicle/fuel technologies.

#### *Proposed Strategic Objectives in GEF-4*

80. The *Climate Change Program Study* noted that the strategic priorities did not seem to lend clarity to the programming framework and contributed to an overall lack of conceptual clarity. The Program Study also highlighted that successful GEF project interventions have addressed five different categories of barriers. Past efforts have been most successful when they adopted a systematic approach to removing barriers in these five categories: policy environment, the availability of financing, business models and management skills, information and awareness, and technological factors. Each of these “pillars” constitutes a necessary condition for market development, or may impose a barrier to market transformation. Although not all projects will address all barriers, successful market development requires that prevalent conditions with respect to each of these “pillars” are sufficiently free of barriers to allow for sustained growth.

81. To add clarity, the programming framework for GEF-4 has been redesigned using this model for market development, and fitting within the established operational programs while learning from experience by intensifying successful areas and refocusing promising avenues that have not been fully exploited. After consultation with the Implementing Agencies, it is proposed that programming focus on the following seven or eight strategic objectives, organized under the operational programs, described briefly below:

### *Operational Program 5: Energy Efficiency*

82. *Strategic objective 1: Promoting energy-efficient appliances and equipment.* Energy-using equipment such as lighting systems, refrigerators, and air-conditioners are widely used in the residential, commercial, and industrial settings. Both the barriers and the enormous opportunities for energy savings are well recognized. The market transformation approach, embodied in its purest form by standards, labels and consumer education, has been used most commonly and successfully in removing barriers to the widespread adoption of energy-efficient products. Other successful interventions have more directly addressed market transformation by engaging industry in a dialogue with governments and consumers. GEF interventions in promoting energy-efficient appliances will emphasize building an enabling policy environment for the development and enforcement of national standards and labels, market aggregation, awareness-raising, and information dissemination to consumers.

83. *Strategic objective 2: Promoting industrial energy efficiency.* Industrial energy use constitutes a large share of total energy consumption in many developing countries. Promoting the deployment and diffusion of energy-efficient technologies and practices in industrial production and manufacturing processes in developing countries will contribute to their industrial competitiveness and economic development while reducing GHG emissions. The focus of GEF interventions in this operational area will be the energy-intensive sectors that have the potential for large-scale, cost-effective energy savings. Emphasis should be given to selecting appropriate financing instruments, including non-grant financing; developing business models; benchmarking; and similar approaches to building commercially sustainable markets.

84. *Strategic objective 3: Promoting building energy efficiency.* This operational area aims at promoting the adoption of energy-efficient technologies and practices in building construction and renovation and in the energy-related systems used in buildings. Lack of conclusive policy environment and institutional arrangements often constitute the key barrier to promotion of energy efficiency in the buildings market. Removal of policy barriers may need to be complemented by interventions facilitating a steady flow of investments into the building sector. Priority for GEF intervention will emphasize removing these barriers, including the promotion of energy-efficient building designs and building energy codes and the reform of billing and metering systems.

### *Operational Program 6: Renewable Energy*

85. *Strategic objective 4: Promoting grid electricity from renewable sources.* Connecting renewable power plants to the grid provides the best opportunity for displacing CO<sub>2</sub> emissions from electricity generation. The challenge is that even the commercial or near commercial renewable energy technologies remain more expensive than fossil-fuel alternatives. Their deployment may require skills, knowledge, financing, policies, and business models that differ from those currently found in the power sector in many countries. Experience has shown that GEF resources can be used in a most cost-effective manner in overcoming these barriers and helping governments establish regulatory frameworks that will meet the higher costs of renewable electricity generation on a continuing basis.

86. *Strategic objective 5: Promoting renewable energy for rural energy services.* In rural settings, renewable energy sources are often the most cost-effective and least environmentally destructive alternatives to supply energy for rural needs. However, many rural energy access programs ignore the opportunities for using renewable energy to provide these rural energy services, because transaction costs for technological flexibility are high; awareness of and confidence in renewable options is low; and a level playing field is hard to create. GEF funding will include—but not be limited to—support for renewable energy as part of rural electrification programs; renewable energy supply for mini-grids; renewable energy for productive uses (including socially productive uses); and renewable energy for use in rural industry. GEF support will concentrate on creating a proper enabling environment; providing support to jump-start rural renewable markets until they reach a minimum critical mass; and assisting, in a technologically-neutral manner, interventions providing renewable energy to rural consumers. Although renewable energy is expected to be the least-cost alternative in these off-grid applications, GEF support is intended to stimulate the creation and maturation of sustainable markets for renewable, rural energy provision.

*Operational Program 7: Reducing the Long-term Cost of Low GHG-emitting energy technologies*

87. *Strategic objective 6: Supporting the deployment of new, low-GHG-emitting energy technologies.* New, emerging, low-GHG emitting energy generating technologies may be able to fill important niche applications in developing countries, but they are not utilized because of the cost of the technology. By supporting projects in these niche markets and linking them to early experiences in developed countries, GEF support not only helps developing countries gain early experience with the technology and contribute to the technology's cost-reduction, but it also helps developing countries adopt these in applications where the willingness to pay is highest, and the incremental costs, therefore, are lowest. Emphasis during GEF-4 will be on technologies used in distributed generation and market aggregation approaches.

*Operational Program 11: Sustainable Transport*

88. *Strategic objective 7: Facilitating sustainable mobility in urban areas.* Because the transport sector is the most rapidly growing source of GHG emissions in many developing countries, developing countries require assistance to facilitate GHG emission reductions through transforming urban (and, when appropriate, provincial and national) mobility towards less GHG-intensive practices. As the initial portfolio in this new operational program was biased toward vehicle technologies, the focus in GEF-4 will be on modal shifts to less polluting modes of public (and private) transport, through traffic flow and demand management, soft support to transport infrastructure (bus-rapid transit systems, non-motorized transport (NMT), and walkways), and land-use, urban planning, and regulation.

89. An eighth strategic objective will only be operationalized under a high replenishment scenario. This optional strategic objective within OP5 Energy Efficiency is described below:

90. *Strategic objective 8: Promoting Repowering of large power plants.* Large power plants are still the backbone of the energy systems around the world, and upgrading them may represent

one of the greatest single opportunities for GHG emission reductions. Upgrading and re-powering the inefficient, older electricity generation sets in many developing countries often has short payback times and thus little or no incremental costs, but frequently does not take place for reasons such as a lack of human or institutional capacity, or improper incentive structures. In the case of an enhanced replenishment, the GEF will add a strategic objective to its climate change focal area that helps overcome the barriers for the efficient operation and re-powering of existing large scale power plants. GEF support will focus on programmatic approaches to capacity building, knowledge transfer, and financial engineering, including carbon finance, to maximize financial leverage to achieve present and future GHG reductions benefits.

### *Measuring Results of the Focal Area Portfolio*

91. Given the focal area strategic approach that relies upon the five “pillars” (see paragraph 80), successful outcomes in each of the projects being implemented will mean that the targeted markets are free from barriers with respect to policy, finance, business models and skills, information, and technology. Efficient market expansion requires a harmonized scaling-up of these five conditions for functioning markets. The indicators to be used for the measurement of these market conditions will be presented in detail in the revised climate change programming paper.

92. To provide an indication of coverage and breadth of the climate change portfolio, a special indicator entitled “Market Intervention” has been developed. A “market intervention” can be defined as a project activity designed to develop, expand and/or transform a particular market. Typically, a “market intervention” will occur when a project focuses on specific national market for a technology, such as on-grid wind energy. However, some projects will focus on more than one technology or market, and can count as more than one market intervention. So a rural, renewable energy project using photovoltaics and small hydro can be said to entail two market interventions. For GEF 4, the target number of market interventions is set at 150. Of these, approximately 60% will be new market interventions, although the new programming areas can be expected to have a higher proportion of new market interventions than the old ones. Under the adaptation pilot, a market intervention may be interpreted as a project activities focusing on a specific sector in a particular country. An adaptation project focusing on water in the highlands and the coastal areas might be counted as constituting 2 market or sector interventions.

93. As the new Resource Allocation Framework (RAF) will allow recipient countries to control the allocations to each strategic objective, it is difficult to specify an allocation to strategic objectives *ex ante* by strategic objective. Nevertheless, within each strategic objective, a count of the countries or projects being supported will be kept. As the GEF has also proposed to commit \$100m per year to renewable energy as one of its commitments to the Bonn 2004 Renewable Energy Process, this amount is held constant through the replenishment scenarios. A notional allocation of resources by Operational Programs is provided in the accompanying table.

## Expected Outcomes and Targets for GEF-4 by Strategic Objectives: Climate Change

Strategic Objective	Outcome	Scenario 1 \$850 million	Scenario 2 \$880 million	Scenario 3 \$1,000 million
OP 5 Energy Efficiency Promoting energy-efficient appliance and equipment. Promoting industrial energy efficiency. Promoting building energy efficiency.  Under Scenario 3 Only: Promoting repowering of power plants	Favorable Conditions for Market Development in Terms of:  Policy, Finance, Business Models, Information and Technology	\$265 million  Targets & Indicators  No. of targeted market intervention = 50  Number of Appliance Programs supported Number of Industrial % programs supported Number of Building Programs Supported	\$265 million  Targets & Indicators  No. of targeted market interventions = 50  Number of Appliance Programs supported Number of Industrial % programs supported Number of Building Programs Supported	\$315 million  Targets & Indicators  No of targeted market intervention = 62  Number of Appliance Programs supported  Number of Industrial EE programs supported Number of Building Programs Supported
OP 6 Renewable Energy Promoting grid electricity from renewable sources. Promoting renewable energy for rural energy services	Favorable Conditions for Market Development in Terms of : Policy, Finance, Business Models, Information and Technology	All Scenarios = \$ 400 million  Targets & Indicators  Target Number of Market Interventions = 60 across all scenarios (36 new)  Number of Countries Working on RE Grid Regulation; Number of Countries receiving rural RE Support		
OP 7 Low GHG-emitting Energy Technologies Supporting the deployment of new, low-GHG-emitting energy technologies	Market for Mobility Transformed	Scenario 1 = \$105 million  Targets & Indicators  Number of Market Interventions – 12 (10 new) Number of Cities Engaged in Transport Programs	Scenario 2 = \$115 million  Number of Market Interventions – 15 (12 new)  Number of Cities Engaged in Transport Programs	Scenario 3 = \$135 million  Number of market interventions = 18 (15 new)  Number of Cities Engaged in Transport Programs
Adaptation: Piloting a strategic approach to adaptation	Strategic Learning regarding GEF Focal Areas and Adaptation	Scenario 1 = \$30 million  Targets & Indicators  Target Number of Market or sector Intervention = 5	Scenario 2 = \$50 million  Targets & Indicators  Target Number of Market or sector Interventions = 8	Scenario 3 = \$100 million  Targets & Indicators  Target Number of Market or sector Interventions = 10

### 3. INTERNATIONAL WATERS

#### *Background and Context*

94. During 1994, the GEF Council began deliberations on its Operational Strategy. Chapters 17 and 18 of Agenda 21 provided background for the Council discussions on the International Waters (IW) focal area. The strategy recognized that international collaboration is needed among sovereign nations to reverse the decline of large, multicountry water systems and to resolve/prevent conflicting uses leading to depletion, degradation, and social unrest. The strategy also recognized that special enabling processes and capacity building are needed to engage multiple sovereign nations to address priority transboundary concerns such as increased pollution loading, over-harvesting of fisheries, unsustainable diversion and use of freshwater resources, and loss of wetland habitats necessary to maintain economic and social systems. In fact, these foundational capacity building processes have turned out to be key elements for encouraging countries with historic conflicts to collaborate towards increased peace, security and stability.

95. The GEF-funded *Global International Waters Assessment* (GIWA) has recently outlined the magnitude and extent of transboundary water degradation, depletion, and use conflicts.<sup>17</sup> Together with the *Millennium Ecosystem Assessment*, these analyses portray potentially dangerous and destabilizing social impacts to economies, people and ecosystems from unsustainable freshwater use by irrigated agriculture and river flow modifications (including groundwater depletion), over-fishing freshwater and marine systems, pollution loading from agriculture and sewage (particularly nitrogen and phosphorus cycle disruptions), and fluctuating climatic regimes that make the aforementioned transboundary concerns even worse. These are exactly the same priority water-related transboundary concerns currently being addressed by GEF's IW focal area.

96. With adoption of the Millennium Development Goals and subsequently the WSSD Plan of Implementation, the world community has placed a new imperative on enacting reforms in water resources management. This stems from the realization that achieving many MDGs is contingent on balancing the multiple uses of water resources—both surface and groundwater--through integrated water resources management (IWRM) and that significant reforms are required nationally and regionally in water resources to make this happen. GEF's IW focal area has assisted dozens of nations to pilot practical approaches to transboundary and national basin scales of IWRM.

#### *International Waters Strategic Directions*

97. Resolution of water-related conflicts and reversal of resource depletion by OECD countries in their shared transboundary systems has proven to be a slow process taking several decades to gain political commitment to joint action and additional time for investments and reforms. GEF-recipient countries face similar use conflicts and challenges in their multicountry systems. In a number of cases, GEF recipient and non-recipient countries are located in the same

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<sup>17</sup> The Global International Waters Assessment was prepared with collaboration of one thousand six hundred scientists and experts and assessed sixty-six specific transboundary regions globally.

freshwater or marine systems. As a result of GEF financed activities, twenty non-recipient countries have begun collaborating with their recipient country neighbors in jointly addressing their site-specific freshwater and marine transboundary water concerns, including fisheries and pollution reduction.

98. The GEF Operational Strategy and three international waters operational programs, approved in 1995, remain valid and provide a sound basis upon which to develop realistic scenarios for GEF-4 replenishment levels, targets, and indicators. The three strategic objectives proposed for GEF-4 represent an evolution reflecting lessons from experience, the findings of the current Program Study, STAP advice, integrated natural resources management, and the global consensus for meeting the MDGs and WSSD targets, including the recent outcomes from CSD-13.

99. The Operational Strategy outlines GEF's objective in the IW area as follows: to contribute primarily as a catalyst in implementing a more comprehensive, ecosystem-based approach to managing these transboundary water systems as a means of achieving global benefits. The objective is for GEF to have a catalytic impact. That is, GEF's success is to be measured by whether commitments to action are made and whether countries and their development partners follow up on the agreed actions. This catalytic approach entails funding a series of processes through foundational capacity building projects (analogous to enabling activities) that have the effect of building trust and consensus among the nations as well as jointly building commitments for action to address their site-specific transboundary concerns. The processes foster development of inter-ministry committees within each cooperating nation, production of a Transboundary Diagnostic Analysis (TDA) for fact-finding, and joint formulation of a Strategic Action Program (SAP) containing reforms and investments countries seek to undertake to address the transboundary concerns or opportunities.

100. If agreement on policy, legal and institutional reforms and investments is achieved, GEF may then fund a project or projects to assist with the agreed incremental costs of enacting regional, national, or local reforms and implementing demonstration investments aimed at transboundary concerns and sustainable development. The outcomes of these projects have been encouraging with a time span for coming to joint agreements for action significantly reduced over OECD experiences. Ministers have agreed to joint action programs for twenty one transboundary systems during GEF 2 and another thirteen are projected to be achieved with funding from GEF 3. Ten regional and one global treaty have been enacted to express political commitments to action and others are still under negotiation.

#### *Proposed Strategic Objectives for GEF-4*

101. With the completion of the IW "enabling" activity projects for several dozen groups of countries collaborating on their specific transboundary basins or marine ecosystems, the focal area is now ready to move to on-the-ground action to address agreed transboundary concerns in GEF-4. GEF is poised to move from limited priority setting, testing and demonstration to scaling-up to full on-the-ground operations in support of reforms, investments, and management programs needed to implement the agreed action programs that underpin the transition to sustainable development for transboundary water systems. This would also assist countries as they make progress toward the MDGs and WSSD targets. The focal area has piloted and now



internalized the imperative of integrating across focal areas as a step towards integrated natural resources management that was advocated at WSSD and is proving to be an important tool for fostering peace, security and stability among nations.

*Strategic objective 1: Catalyzing on-the-ground implementation of management action programs, regional/national reforms, and stress reduction measures agreed through TDA-SAP or equivalent processes for transboundary water systems.*

102. The objective is to facilitate efforts of collaborating states to implement country-driven policy/legal/ institutional reforms and stress-reducing investments in those transboundary systems where agreement on action on particular transboundary water concerns has been reached. Resource mobilization should ideally be mainstreamed into regular programs of agencies, national economic planning of participating nations, engagement of the private sector, as well as GEF incremental cost finance. The “Strategic Partnership Investment Fund”<sup>18</sup> successfully piloted in the Danube/Black Sea Basin for catalyzing action to reduce transboundary nutrient pollution will be tested in three other parts of the world during GEF-4. Targeted alliances and strategic partnerships among nations, agencies, and development partners will be pursued to assist in moving toward waterbody targets agreed by participating countries as a result of GEF action. Of the three strategic objectives, this “implementation” objective will receive the majority of funding (over 60%) under all funding scenarios.

*Strategic objective 2: Expanding global coverage of foundational capacity building to new transboundary systems with a focus on key program gaps and integrated, cross focal area approaches as well as undertaking targeted learning with the portfolio.*

103. The objective is to respond to the large backlog of country-driven requests for initial foundational capacity building work for a number of transboundary systems that have not been assisted by GEF. This expansion to new areas will focus on key program gaps such as groundwater and water scarcity/conflicting water uses through IWRM as well as integration in natural resources management. LDCs and SIDS will receive priority over competing proposals. In view of resource limitations and in order to increase GEF’s responsiveness to countries, MSPs will be utilized more frequently as initial steps.

104. South-to-south sharing of experiences, structured learning, technology transfer, and filling gaps in understanding of transboundary water systems have been important to this focal area. The new GEF focus on knowledge management will benefit from targeted learning in this area, including continuation of the IW:LEARN program among all three Implementing Agencies and expanding this regionally to address recommendations of the Programs Study and STAP. It is proposed that this strategic objective receive less than 30% of focal area resources.

*Strategic objective 3: Undertaking innovative demonstrations with emphasis on addressing water scarcity/conflicting water uses through IWRM, reducing persistent toxic substances (PTS)*

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<sup>18</sup> Strategic Partnerships are proving to be an effective funding modality for implementation of agreed action programs for transboundary water systems within GEF. A Strategic Partnership (SP) consists of a major component, the Investment Fund (with a multilateral Bank), often accompanied by a parallel project for regional capacity building, coordination and replication purposes. The Danube/Black Sea Basin Strategic Partnership for nutrient reduction approved by Council in 3 Investment Fund tranches is a good example.

*beyond POPs, and protecting valuable groundwater supplies, including through public-private partnerships and innovative financing.*

105. An important element of the Operational Strategy has been the financing of demonstration projects in different sectors that address priority transboundary concerns. These projects can test the local feasibility of innovative technology or reduce barriers to their more widespread utilization. During GEF 3, a number of promising approaches have undergone development and preparation. They are now nearing maturity for funding, especially for water-related concerns of SIDS and reduction of mercury releases as well as other persistent toxic substances. SIDS will be given priority for funding in this objective consistent with the large existing pipeline.

## Expected Outcomes and Targets for GEF-4 by Strategic Objectives: International Waters

Strategic Objective	Primary Outcome	Scenario 1 \$370 million	Scenario 2 \$400 million	Scenario 3 \$500 million
Objective 1  Catalyzing implementation of agreed reforms and on-the-ground stress reduction investments to address transboundary water concerns.	Measurable pollution reduction, water use improvements, restored/protected wetlands, sustainable fisheries, policy/legal/institutional reforms, and functioning transboundary institutions.	\$200 million  Targets & Indicators  By 2010, GEF will have successfully catalyzed 2 Strategic Partnerships addressing transboundary pollution of East Asia LMEs, and sustainable marine fisheries in Africa and begun a third one for the Mediterranean Sea LME.  By 2010, GEF will have increased by 50% over GEF 3 the number of representative transboundary waterbodies for which it catalyzed implementation of stress reduction measures and reforms in agreed management programs.	\$230 million  Targets & Indicators  Same as scenario 1  Several of the representative waterbodies will have reflected the joining of forces among the GEF focal areas for integrated approaches.	\$280 million  Targets & Indicators  By 2010, GEF will have successfully completed funding for 2 Strategic Partnerships addressing pollution of East Asia LMEs, and sustainable marine fisheries in Africa and will have catalyzed a third one for the Mediterranean Sea LME.  By 2010, GEF will have increased by 55 % over GEF3 the number of waterbodies for which implementation was catalyzed with a focus on joining forces with other focal areas for an integrated approach.
Objective 2  Expanding foundational capacity building to a limited number of new transboundary systems through integrated approaches and undertaking targeted learning for the IW portfolio.	Ministerially agreed action programs for improved management of transboundary systems	\$110 million  Targets & Indicators  By 2010, GEF will have increased by one-fifth the global coverage of representative waterbodies (an additional 6-7) with country-driven, science-based joint management programs addressing transboundary concerns with GEF assistance; 1/2 will have been developed through integrated approaches by joining forces with other GEF focal areas	\$110 million  Targets & Indicators  Same as scenario 1	\$140 million  Targets & Indicators  By 2010, GEF will have increased by one-fourth the global coverage of representative water bodies (an additional 10-12 with country-driven science-based joint management programs addressing transboundary concerns with GEF assistance; 1/2 will have been developed through integrated approaches by joining forces with other GEF focal areas.

<b>Strategic Objective</b>	<b>Primary Outcome</b>	<b>Scenario 1 \$370 million</b>	<b>Scenario 2 \$400 million</b>	<b>Scenario 3 \$500 million</b>
<p>Objective 3</p> <p>Undertaking innovative demonstrations addressing key program gaps (groundwater, IWRM, SIDS concerns, persistent toxic substances) in IW, with a focus on SIDS</p>	<p>Innovative reforms and measures for balancing competing water uses, addressing sewage pollution, protecting groundwater supplies, reducing persistent toxic substances, are successfully demonstrated on-</p>	<p>\$60 million</p> <p>Targets &amp; Indicators</p> <p>By 2010, 90% of all SIDS will have received GEF support for at least one transboundary priority concern included in OP 9 and for assistance with IWRM.</p> <p>By 2010, GEF will have successfully demonstrated the local feasibility of innovative measures to address 4-5 different global water-related concerns through integrated approaches, IWRM, and demos for persistent toxic substances(PTS)</p>	<p>\$60 million</p> <p>Targets &amp; Indicators</p> <p>Same as scenario 1</p>	<p>\$80 million</p> <p>Targets and Indicators</p> <p>By 2010, GEF will have successfully demonstrated the local feasibility of innovative measures to address 8-9 different global water-related concerns through integrated approaches: IWRM, groundwater and added demos for PTS consistent with a GEF Chemicals Agenda.</p>

#### 4. LAND DEGRADATION

##### *Background and Context*

106. The Second GEF Assembly in Beijing, October 2002, designated land degradation, primarily desertification and deforestation, a focal area of the GEF as a means to support the implementation of the United Nations Convention to Combat Desertification (UNCCD). This designation made sustainable land management a primary focus of GEF assistance to achieve global environmental benefits within the context of sustainable development.

107. The *Millennium Ecosystem Assessment* (MEA) has highlighted the unprecedented changes made to the world's ecosystems. In recent decades the growing demands for food, fiber, water and energy have resulted in serious degradation or unsustainable use of most of the ecosystem services. The MEA draws attention to the fact that drylands are among the regions of the world where ecosystem services are most threatened by human impacts. Land degradation, which is the major cause of the breakdown of ecosystem integrity (along with fresh water scarcity), affects not only selected ecosystem components or functional cycles and regulating services (such as air quality regulation, climate regulation, water and erosion regulation, disease and pest regulation, natural hazard regulation), but it also triggers destructive processes that can affect the entire biosphere. The MEA forecasts that in the near future increased pressure will continue to be exerted on ecosystem goods and services in all terrestrial biomes through continuous habitat changes (land conversion and use), water and fisheries resources overexploitation, biodiversity and groundwater mining and climate change. It calls for a holistic, integrated and systematic approach that includes environmental, social and economic issues to improve policy planning and management, and to influence individual behavior and change economic decision-making.

108. The GEF Operational Program on Sustainable Land Management presents an excellent opportunity for the GEF to strengthen and demonstrate an integrated approach to natural resources management. Global environmental stability and sustainable livelihoods can only be achieved through a holistic approach where different resource users and decision-makers come together to agree on a set of common objectives that maintain the ecological integrity of their resource base land.

##### *Sustainable Land Management in GEF 3*

109. The third replenishment of the GEF allocated US\$500 million to support land degradation prevention and control activities. US\$250 million was to be programmed under the land degradation focal area while it was estimated that another US\$250 million would be derived from "land degradation" activities to be financed through the other focal areas. It was understood that the initial allocation to the new focal area would be increase in GEF-4 based on lessons learned in GEF 3.

110. The strategic priorities for GEF 3 were established to allow for the quick development of a portfolio of projects that address urgent concerns of countries to: (a) strengthen their enabling environment for effective SLM, and (b) build capacity to fulfill their obligations under the

United Nations Convention to Combat Desertification. They focused on: (a) investment on the ground for countries with an advanced enabling environment and adequate absorptive capacity; and (b) targeted capacity building for countries with weak enabling environments and institutional capacities for future investments on the ground.

111. After only 23 months of implementation, the GEF land degradation portfolio is robust and well balanced both regionally and thematically. All GEF-3 resources have been allocated to high quality project proposals representing a broad range of innovative approaches to sustainable land management. While the majority of the initiatives are based on conventional project approaches, two innovative approaches are being piloted: (a) a country partnership approach which calls for a holistic, comprehensive and sustained support to SLM through long-term planning, predictable financing and capacity building for countries with an adequate enabling environment for SLM; and (b) a portfolio project approach which first focuses on institutional capacity enhancement and improvement of policy environment in countries that lack basic capacities and need a progressive approach to prepare the foundation for larger and sustainable SLM activities.

112. Lessons learned, so far, confirm that: (a) prevention and control are more cost effective than rehabilitation measures; (b) effective strategies for the prevention and control of land degradation will require an appropriate mix of local management and macro policy approaches; (c) enabling environment and capacity building for SLM are fundamental to achieving positive results; and (d) integrated approaches that are based on stakeholder participation as well as building on established national planning frameworks are likely to assure sustainability of SLM activities.

113. In GEF-4, the following challenges will need to be addressed: (a) definition of criteria and program/project performance indicators as well as a science-based priority setting processes that will ensure the selection, monitoring and evaluation of viable initiatives with desired impact; (b) fostering systematic learning through a well-tailored knowledge management program; and (c) finding a mutually beneficial balance of trade-offs between global environmental benefits and sustainable livelihoods while not diverting from the GEF core mandate to protect the global environment. Institutionally, the focal area will also continue to be challenged by the management of an ever growing imbalance between demand and the limited resources allocated to the focal area.

#### *Strategic Considerations and Framework for programming in GEF-4*

114. GEF-4 will continue to build on the foundations established by: (a) the overall operational goal of the focal area on land degradation (desertification and deforestation) which is to catalyze partnerships with other organizations working on land management issues, land users, and other stakeholders at the local, national, regional, and global levels to provide coordinated financial support to address land degradation in a way that achieves long term global environmental benefits within the context of sustainable development; and (b) mitigation of the causes and negative impacts of land degradation on the structure and functional integrity of ecosystems through sustainable land management practices as a contribution to improving peoples livelihoods and economic well being.

115. The unprecedented high response to the initial support provided under the land degradation operational program, as well as lessons learned from analysis of the portfolio which indicates a sizeable unmet country demand, calls for a GEF-4 strategy that combines and balances “consolidation” (deepening the learning process) and “expansion” (attending to new demands).

116. In GEF-4, more focused attention will be given across the strategic objectives to meet the increasing demand for financing for sustainable forest and woodland management.

117. The strategic objectives will also emphasize:

- (a) mainstreaming of sustainable land management into the production landscape by addressing global environment and sustainable livelihood issues within a holistic development framework;
- (b) creating synergies across GEF focal areas to better address sustainable land management in the context of biodiversity conservation, integrated land and water management, integrated pest management and adaptation to climate change;
- (c) promoting country programming<sup>19</sup> for sustainable land management at country level and building partnerships to support such programs; and
- (d) capacity building leading to long-term sustainability (institutional, financial, ecological and socio-economic) and visible impact as key objectives for prevention and control of land degradation.

#### *Proposed Strategic Objectives for GEF-4*

118. Four strategic objectives for GEF-4 have been identified. They reflect the need for operational flexibility and creativity in responding to immediate country specific needs, as well as the need for long-term country programmatic approaches based on partnerships. It is expected that GEF-4 funding in this focal area will largely target activities that ensure greatest effectiveness and impact of GEF interventions while responding to needs of the UNCCD, CBD, UNFCCC and the UN Forest Forum. A conscious effort will be made to pay attention to the special needs of LDC and SIDS countries.

#### *Strategic objective 1: Promoting the country partnership framework approach for removing barriers to SLM and foster system-wide change*

119. This objective is to consolidate and expand country programs for sustainable land management, building on lessons and achievements made during the pilot phase. The goal of the country partnership on sustainable land management program is to assist GEF-eligible countries

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<sup>19</sup> “Country Programming” means the support for a long-term (up to 10 years), holistic partnership-based process across production sectors anchored in an overall action framework for SLM at the country level what will be promoted by the country as a common framework for actions by relevant national and international stakeholders. Country Programming has nothing in common with budget support of sector ministries in countries. Activities will be implemented in form of projects under the agreed action framework.

develop and implement a holistic, integrated and sustained program that address root causes of land degradation and mainstream SLM into national priorities and national development frameworks such as National Action Programs to Combat Desertification (NAPs), Poverty Reduction Strategies (PRSPs), or National Forest Development Plans. The partnership framework comprises a package of interventions addressing policy, regulatory and institutional reforms, capacity building, and investments needs, supported through a well coordinated program with predictable financing from a variety of sources, including national budgets, bilateral development cooperation agreements, country assistance programs of multilateral agencies, and private foundations.

*Strategic objective 2: Upscale successful SLM practices for the control and prevention of desertification and deforestation through new operations*

120. This strategic objective is to enable the GEF to respond in an appropriate and timely manner to new country requests for GEF projects in sustainable land management. The focus on up-scaling would allow for demonstration of large scale impact of SLM on ecosystems and its functional integrity based on best practices for prevention and control of land degradation initially implemented in GEF-3 or derived from other initiatives. Efforts will primarily address the challenge of LDCs and SIDS through strong linkages to the UNDP Portfolio project for LDC/SIDS on Capacity Building for SLM to be under full implementation in GEF-4.

*Strategic objective 3: Generating and disseminating knowledge addressing current and emerging issues in SLM*

121. This objective is to: (a) generate knowledge that would help to lift barriers to SLM, trigger innovation, and understand the underlying factors to successful up scale SLM; and (b) enhance knowledge sharing and scientific and technical cooperation. Efforts under this objective will be cross-cutting in nature and will address knowledge use and generation in the other focal area strategic objectives. The emphasis will be on best practices and new scientific and technically sound knowledge. Information will be made available on sustainable land management in a timely manner to enable a constant cycle of development and cross-fertilization of ideas to improve sustainability and impact of project and programmatic interventions.

*Strategic objective 4: Promote cross focal area synergies and integrated approaches to natural resources management*

122. Efforts will be made to implement on-the-ground demonstrations of in integrated natural resources management which allows for the pooling of GEF investments from various focal areas. The strategic objective would foster cross-focal area synergies at the program level but also at the project level when projects require management tools from more than one GEF focal area.



## Expected Outcomes and Targets for GEF-4 by Strategic Objectives: Land Degradation

Strategic priority	Outcome	Scenario 1 \$270 million	Scenario 2 \$370 million	Scenario 3 \$400 million
I. Promoting the country partnership framework approach for removing barriers to SLM and foster system-wide change.	Countries with enabling environment and investment program to support SLM	<p>\$110 million</p> <p><u>Process</u> <u>Indicators and Targets</u></p> <p>Consolidation of 6 pilot country partnerships started in GEF-3</p> <p>5-6 new country partnerships</p>	<p>\$170 million</p> <p><u>Process</u> <u>Indicators and Targets</u></p> <p>Consolidation of 6 pilot country partnerships started in GEF-3</p> <p>14 new country partnerships (including 3 pilots under TerrAfrica)</p>	<p>\$180 million</p> <p><u>Process</u> <u>Indicators and Targets</u></p> <p>Consolidation of 6 pilot country partnerships started in GEF-3</p> <p>14 -15 new country partnerships (including 5-6 pilots under TerrAfrica)</p>
II. Upscale successful SLM practices for the control and prevention of desertification and deforestation through new operations	Country capacity & mechanism in place to allow for successful up-scaling of best practices for the prevention and control of land degradation.	<p>\$80 million</p> <p><u>Process</u> <u>Indicators and Targets</u></p> <p>25 MSPs for community-based initiatives to pilot up-scaling</p> <p>25 FSPs for medium or large scale up-scaling at sub-national or country levels</p>	<p>\$90 million</p> <p><u>Process</u> <u>Indicators and Targets</u></p> <p>30 MSPs for community-based initiatives to pilot up-scaling</p> <p>30 FSPs for medium or large scale up-scaling at sub-national or country levels</p>	<p>\$100 million</p> <p><u>Process</u> <u>Indicators and Targets</u></p> <p>35 MSPs for community-based initiatives to pilot up-scaling</p> <p>36 FSPs for medium or large scale up-scaling at sub-national or country levels.</p>
III. Generating and disseminating knowledge addressing current and emergent issues in SLM	Scientific-technically sound tools for and knowledge on SLM and dissemination mechanisms in place.	<p>\$20 million</p> <p><u>Process</u> <u>Indicators and Targets</u></p> <p>5 MSPs for targeted research projects</p> <p>6 MSP, 2FSP for dissemination and addressing emerging issues in SLM</p> <p>1 FSP for LD Learn</p>	<p>\$40 million</p> <p><u>Process</u> <u>Indicators and Targets</u></p> <p>7 MSPs for targeted research projects</p> <p>10 MSP, 5FSP for dissemination and addressing emerging issues in SLM</p> <p>1 FSP for LD Learn</p>	<p>\$50 million</p> <p><u>Process</u> <u>Indicators and Targets</u></p> <p>7 MSPs for targeted research projects</p> <p>12 MSP, 9FSP for dissemination and addressing emerging issues in SLM</p> <p>1 FSP for LD Learn</p>

<b>Strategic priority</b>	<b>Outcome</b>	<b>Scenario 1 \$270 million</b>	<b>Scenario 2 \$370 million</b>	<b>Scenario 3 \$400 million</b>
<p>IV. Promote cross focal area synergies and integrated approaches to natural resources management</p> <p>(Note: This SP will go across all GEF Focal Areas. The Targets &amp; Indicators mentioned refer to the contribution by the FA LD.)</p>	<p>Countries enabled to address trade-offs between sustainable livelihood and global environmental benefits and foster synergies between global environmental objectives</p>	<p>\$60 million</p> <p><u>Process</u> <u>Indicators and Targets</u></p> <p>\$30 million (5 MSP, 5 FSP) for addressing synergies at FA program level (e.g. projects that address key priority areas in Strategic Action Programs promoted in FA IW; land degradation identified as threat to biodiversity conservation; natural resources management issues in biomass or renewable energy projects)</p> <p>\$30 million (FA contribution for projects with shared incremental costs) for initiatives that</p>	<p>\$70 million</p> <p><u>Process</u> <u>Indicators and Targets</u></p> <p>\$40 million (7 MSP, 7 FSP) for addressing synergies at FA program level (e.g. projects that address key priority areas in Strategic Action Programs promoted in FA IW; land degradation identified as threat to biodiversity conservation; natural resources management issues in biomass or renewable energy projects)</p> <p>\$30 million (FA contribution for projects</p>	<p>\$70 million</p> <p><u>Process</u> <u>Indicators and Targets</u></p> <p>\$40 million (7 MSP, 7 FSP) for addressing synergies at FA program level (e.g. projects that address key priority areas in Strategic Action Programs promoted in FA IW; land degradation identified as threat to biodiversity conservation; natural resources management issues in biomass or renewable energy projects)</p> <p>\$30 million (FA contribution for projects with shared incremental costs) for initiatives that promote an integrated approach to NRM and multiple global environmental benefits (purpose of OP12)</p>

## 5. Ozone

### *Background and Context*

123. Scientific concerns about the depleting effects of halocarbons on the ozone layer in the 1970s were followed by the discovery of the “hole” in the ozone layer over the Antarctic in the 1980s. The international community realized that increased UV-B radiation reaching the earth posed risks to human health (e.g. skin cancers, eye cataracts, weakened immune systems) and the environment (affecting for example plant yields or fisheries). In response, countries negotiated and adopted the Vienna Convention for the Protection of the Ozone Layer in 1985 and the Montreal Protocol on Substances that Deplete the Ozone Layer in 1987.

124. As a result of the implementation of the Montreal Protocol, total consumption of ODS has dropped by more than 90%, to be compared with the steady growth that would have occurred otherwise. This has prevented an estimated doubling of the UV-B radiation reaching the earth in the northern mid latitudes by the year 2050. The GEF has contributed by facilitating a large drop in consumption and production of Chlorofluorocarbons (CFCs) in Countries with Economies in Transition (CEIT’s). However, further efforts are required and underway to address other substances with comparatively large ozone depletion potential, in particular Methyl bromide (MeBr) and Hydrochlorofluorocarbons (HCFCs).

### *The Montreal Protocol on Substances that Deplete the Ozone Layer*

125. The 1995 GEF Operational Strategy provides that “although the GEF is not linked formally to the Montreal Protocol, the GEF Operational Strategy in Ozone Depletion is an operational response to the Montreal Protocol, its amendments, and adjustments”. Therefore, the GEF has financed activities to assist eligible countries with economies in transition that are not eligible for funding under the Multilateral Fund of the Montreal Protocol in controlling the substances targeted under the Protocol, including in meeting consumption and production phase out schedules and other control measures. The Operational Strategy further notes that, “to the extent consistent with other GEF policies [...] GEF operational policies for financing activities in this focal area will also be consistent with those of the Multilateral Fund.”

126. As a result, the GEF has assisted eighteen countries with economies in transition to meet their obligations under annexes A and B of the Montreal Protocol (addressing CFCs and Halons). The Second Overall Performance Study of the GEF (OPS2, 2002) found that “(i) the GEF has been responsive and supportive of the Montreal Protocol, (ii) the impact of the GEF has been significant in helping to achieve meaningful reductions in ODS, and (iii) the GEF has helped materially in assisting countries with economies in transition to meet their obligations under the Montreal Protocol.”

### *GEF ODS Strategy*

127. In the Ozone Layer Depletion focal area, the GEF’s overall objective is to prevent releases of ODS in order to protect human health and the environment from depletion of the ozone layer.

### *Strategic objectives in GEF-3*

128. Following the business plan and strategic directions for ODS, the GEF's effort under GEF-3 have been principally focused on helping Non-Annex 5 GEF eligible countries to meet their phase out obligations regarding the Annex E substance, methyl bromide, to enable compliance with the 2005 total phase-out deadline.

129. Regarding HCFCs, no investments were required under GEF-3 as all GEF eligible countries were still in compliance with the HCFC phase out schedule. An assessment of the most effective ways to address HCFC reduction schedules in eligible recipient countries over the medium to long term is under preparation. This assessment should pave the way for investments in future phases of the GEF, and would include considerations of the broader chemicals agenda and how to best build and maximize the use of country capacities. Coordination between chemicals-related focal areas and the implications of the work under development in the framework of the Strategic Approach to International Chemicals Management will also be relevant considerations.

130. Finally, in response to concerns raised in the Implementation Committee and Meeting of the Parties to the Montreal Protocol regarding the difficulty of a number of countries with economies in transition to both meet their reporting obligations and to phase out residual amounts of CFCs, modest resources are being mobilised under GEF-3 to support capacity building, including institutional strengthening, in those countries most in need.

### *Proposed Strategic Objective in GEF-4: Addressing HCFCs, residual use of MeBr, and Institutional Strengthening and other non-investment activities*

131. On the basis of the most recent data available from the Ozone Secretariat, a limited number of GEF-eligible countries with economies in transition appear likely to require GEF support to meet the target of 65% consumption phase out by 2010. Cost-effectiveness considerations suggest that interventions be supported that address the total amount of HCFC consumption in these countries. These interventions will also provide valuable lessons for other countries facing similar phase-out needs.

132. In addition, modest resources are set aside to cover the small amounts of reported MeBr consumption not addressed through the recently approved on-going projects.

133. Finally, further institutional strengthening and other non-investment activities (awareness raising, training etc) would be supported, building on the capacities and networks created to date, particularly to assist the least developed of the CEITs in meeting their reporting obligations.

### *Measuring results of the Focal Area Portfolio*

134. The main indicator to measure and aggregate results in the Ozone Depletion focal area remains the reporting by each project on the ozone depletion potential – adjusted tons of chemicals phased out from consumption or production.

## Expected Outcomes and Targets for GEF-4 by Strategic Objectives: Ozone

Strategic Objective	Outcome	Scenarios 1, 2 and 3 \$ 50 million
Addressing HCFCs, residual use of MeBr, and Institutional Strengthening and other non-investment activities	Phase out of HCFCs, MeBr, and strengthened capacity for compliance enforcement and reporting	<u>Targets and Indicators</u>  ODP adjusted tons of HCFCs and MeBr phased-out

### 6. POPs

#### *Background and Context*

135. Mounting evidence of damage to human health and the environment has focused the attention of the international community on Persistent Organic Pollutants (POPs). POPs are pesticides, industrial chemicals or unwanted by-products of industrial processes or combustion. They are characterized by persistence, the ability to resist degradation in various media (air, water, sediments, and organisms); bio-accumulation, the ability to accumulate in living tissues at levels higher than those in the surrounding environment; and potential for long range transport, the capacity to travel great distances from the source of release through various media (air, water, and migratory species). Because of these properties, POPs are found throughout the world, including in areas far from their original source. The harm these chemical substances can cause to humans and animals includes disruption of the endocrine system, suppression of the immune system, reproductive dysfunction, and developmental abnormalities.

136. Although most of these substances have been banned and are being phased-out in OECD countries, the situation in developing countries, and particularly in Least Developed Countries, is one characterized in many instances by inadequate legislative and regulatory frameworks coupled with near absence of capacity for enforcement and lack of awareness of the hazards associated with POPs exposure. As a result, the limited local capacity can lead to regional and ultimately global contamination of the environment by POPs, and damage to the health and well-being of human populations, particularly the poor that are at greatest risk.

#### *Guidance from the Stockholm Convention on POPs*

137. The realization that global efforts were required to address the threats POPs pose to people and the environment led to the adoption of the Stockholm Convention on Persistent Organic Pollutants in May 2001, which designates the GEF as the principal entity entrusted with the operations of the financial mechanism of the Convention, ad interim. The Convention entered into force on May 17, 2004.

138. The Convention's objective is to protect human health and the environment from POPs through the elimination or restriction of production and use of all intentionally produced POPs (industrial chemicals and pesticides), the continuous minimization of unintentionally produced POPs (e.g. dioxins and furans), and the cleaning-up of wastes and contaminated products.

139. The first Conference of the Parties, scheduled for May 2-6 2005, is expected to adopt guidance to the financial mechanism. Therefore, the strategic objectives for POPs under GEF-4 described herewith must be seen as flexible and may need to be revisited in the future on the basis of Convention guidance. In the meanwhile, the strategic objectives are fully consistent with both the text of the Convention and the views of the negotiators of the Convention expressed through resolutions of the Conference of Plenipotentiaries (that adopted the Convention) and through further decisions of the Intergovernmental Negotiating Committee (INC for the Stockholm Convention).

140. In response to these resolutions and decisions, the GEF has:

- (a) established POPs as a focal area (adopted by the GEF Assembly in October 2002);
- (b) adopted guidelines for POPs enabling activities;
- (c) developed a draft operational program and strategic framework for implementation;
- (d) adopted expedited processing for enabling activities proposals; and
- (e) enhanced delivery capacity through expanding opportunities to FAO and UNIDO for the POPs focal area.

#### *GEF POPs Strategy*

141. The GEF's overall objective in the POPs focal area is to assist countries to reduce and eliminate releases of POPs in order to protect human health and the environment. This objective will be advanced in the GEF-4 period through:

- (a) continuing the GEF's National Implementation Plan (NIP) Program;
- (b) strengthening national capacities for NIP implementation, including assisting those countries that lag farthest behind to establish basic, foundational capacities for sound management of chemicals;
- (c) partnering in investments needed for NIP implementation to achieve impacts in POPs reduction; and
- (d) partnering in the demonstration of feasible, innovative technologies and practices for POPs reduction.

142. Through capacity building, on-the-ground interventions and targeted research, GEF interventions will build the capacity of recipient countries to manage POPs and to implement their obligations under the Stockholm Convention, in the framework of a country's capacity for sound management of chemicals more broadly, while seeking synergies and coordination with the activities of other global and regional chemicals-related conventions and agreements.

143. The GEF has adopted the National Implementation Plan (NIP) called for by the convention as the foundation for intervention and for establishing national funding priorities. The NIP provides a framework for a country to develop and implement priority policy and regulatory reforms, capacity building, and investment programs for POPs reduction, in a systematic yet participatory way. To the extent possible, given the need for some flexibility, NIPs will form the basis for country-level GEF support.

*Strategic priorities in GEF-3*

144. The GEF-3 strategic priorities for the POPs focal area are:

- (a) capacity building for the development of NIPs, awareness raising, and dissemination of best practices;
- (b) implementation of policy/regulatory reforms and investments to support investments that emerge from NIPs or other priority setting exercises; and
- (c) demonstration and promotion of innovative and cost-effective technologies and practices for disposal of products, phase-out of PCBs, alternatives to DDT, and alternatives to other POPs.

145. The bulk of the efforts under GEF-3 have been dedicated to preparing the ground for convention implementation through the systematic support to the development of NIPs. As a result, as of 15 January 2005, 119 country proposals for NIP enabling activities had been approved. In addition, projects anticipating NIP priorities have been developed and funded (for example to phase-out PCBs or destroy pesticides wastes), as well as projects that demonstrate alternatives to DDT for vector control, alternatives for termite control, and POPs destruction technologies.

*Proposed GEF strategic objectives in GEF-4*

146. A large number of GEF eligible countries are finalizing their NIPs and are thus expected to request increased resources for NIP implementation. Therefore, whilst the fundamental approach and strategic objectives of the GEF remain unchanged, activities under GEF-4 will be characterized by a shift from preparation to implementation.

147. In order to more precisely describe the portfolio, the GEF 3 strategic objective of “NIP implementation” will be divided into a strategic objective for “capacity-building for NIP implementation” and a strategic objective for “investments for NIP implementation”. In practice however, there will be many cases where one project will address both objectives.

*Strategic objective 1: NIP Program and dissemination of best practices*

148. The strategic objective is to support eligible countries in meeting their reporting obligations under the Stockholm Convention, and to support the generation and dissemination of best practices for POPs management. In particular, the objective includes the POPs enabling

activities program to assist the relatively few eligible countries which have not yet received GEF financing to prepare a NIP.

149. In addition, subject to COP guidance, it is expected that existing NIPs will have to be reviewed and updated during the replenishment period. Support will also be provided to activities aimed at raising awareness among various stakeholders and managing and disseminating experiences and lessons learned at the portfolio level, both in developing a NIP and in documenting best practices for implementation.

*Strategic objective 2: Strengthening capacity for NIP implementation*

150. The strategic objective is to strengthen and build the capacity required in eligible countries to implement their NIPs, while encouraging coordination and synergies with countries' responses to related multilateral environmental agreements addressing chemicals issues. This objective will include assisting those countries that lag the farthest behind to establish basic foundational capacities for the sound management of chemicals. Depending on NIP priorities, interventions can include strengthening regulatory frameworks, strengthening of human and institutional capacity, and strengthening of monitoring and enforcement capacity.

*Strategic objective 3: Partnering in investments for NIP implementation*

151. The strategic objective is to reduce the stress on human health and the environment caused by POPs through the reduction of POPs releases, through their phase-out, destruction, use of alternatives, and application of Best Available Techniques/Best Environmental Practices. This strategic objective is particularly emphasized under funding scenarios 2 and 3.

152. Depending on NIP priorities, the GEF will partner in investments needed for NIP implementation to achieve impacts in POPs reduction, through for example, the identification, labeling, removing from use and disposal of PCBs; the use of non-POPs alternatives for disease vector or termite control; the destruction of POPs wastes and prevention of stockpiling; and the promotion of BAT/BEP in specific sectors. Under funding scenario 3, limited resources will be used to promote "integration" amongst all focal areas where the driver for POPs reduction is a threat to a particular ecosystem.

*Strategic objective 4: Partnering in the demonstration of feasible, innovative technologies and practices for POPs reduction*

153. The strategic objective is to support the Stockholm Convention's requirements to pursue alternatives to POPs, and the substitution of materials and processes that do not lead to POPs formation. In reaching this objective, particular emphasis will be placed on the promotion of replication and wide dissemination of project outcomes.

154. Depending upon countries' priorities as identified in their NIPs' examples of interventions include demonstrations of BAT/BEP in various sectors, demonstration of alternatives to POPs and other toxic pesticides for pest management, and addressing the lack of capacity for POPs destruction in GEF recipient countries. Targeted research, where appropriate, would also fall under this objective.



*Measuring Results of the Focal Area Portfolio*

155. Indicators are being developed which will allow tracking and reporting on results and impact at the portfolio level through aggregation of project level outcome indicators. The indicators envisioned encompass process indicators (e.g. regulatory framework in place, or increased capacity for enforcement) and stress reduction indicators (e.g. number of tons of PCB destroyed, or avoided emissions of unwanted by-products). Environmental impacts will be assessed in the framework of the overall evaluation of the effectiveness of the Convention.

## Expected Outcomes and Targets for GEF-4 by Strategic Objectives: POPs

Strategic Objective	Outcome	Scenario 1 \$270 million	Scenario 2 \$370 million	Scenario 3 \$400 million
<b>I. NIP Program and dissemination of best practices</b>	Eligible countries are meeting their reporting obligations under the Stockholm Convention, and lessons learnt and best practices are taken-up	<b>\$30 million</b>  <u>Targets and Indicators</u>  - 8 countries receive support for NIP development - 50 countries receive support to update their NIPs - Projects to consolidate and disseminate lessons learned are developed	<b>\$30 million</b>  <u>Targets and Indicators</u>  Same as scenario 1	<b>\$30 million</b>  <u>Targets and Indicators</u>  Same as scenario 1
<b>II. Strengthening capacity for NIP implementation</b>	Recipient countries have the capacity to implement POPs risk reduction measures	<b>\$90 million</b>  <u>Targets and Indicators</u>  - 45 countries receive support to strengthen capacity for POPs management	<b>\$100 million</b>  <u>Targets and Indicators</u>  - 50 countries receive support to strengthen capacity for POPs management	<b>\$100 million</b>  <u>Targets and Indicators</u>  - 50 countries receive support to strengthen capacity for POPs management
<b>III. Partnering in investments for NIP implementation</b>	Stress from POPs on human health and the environment is reduced	<b>\$110 million</b>  <u>Targets and Indicators</u>  - 19 countries receive support to either phase-out and destroy PCBs; phase out POPs pesticides; apply BAT/BEP; or destroy obsolete stocks of POPs pesticides	<b>\$195 million</b>  <u>Targets and Indicators</u>  - 33 countries receive support to either phase-out and destroy PCBs; phase out POPs pesticides; apply BAT/BEP; or destroy obsolete stocks of POPs pesticides	<b>\$220 million</b>  <u>Targets and Indicators</u>  - 35 countries receive support to either phase-out and destroy PCBs; phase out POPs pesticides; apply BAT/BEP; or destroy obsolete stocks of POPs pesticides - 3 waterbodies or terrestrial ecosystems receive support for POPs reduction measures (integration)
<b>IV. Partnering in demonstration of innovative technologies and practices for POPs reduction</b>	Effective alternative technologies and practices that avoid POPs releases are demonstrated	<b>\$40 million</b>  <u>Targets and Indicators</u>  - 6 alternative technologies/ sets of practices demonstrated	<b>\$45 million</b>  <u>Targets and Indicators</u>  - 7 alternative technologies/ sets of practices demonstrated	<b>\$50 million</b>  <u>Targets and Indicators</u>  - 8 alternative technologies/ sets of practices demonstrated

## 7. CORPORATE PROGRAMS: IMPROVING COUNTRY PERFORMANCE IN GEF-4

### Context

156. GEF “corporate programs” include those activities, projects and programs that cut across the focal areas and are designed to strengthen the capacity and institutional foundation for fulfilling the GEF’s mandate. In the GEF-3 programming document, resources for these corporate activities were made available through a “tax” on each focal area allocation. This led to confusion as to the allocation for each focal area as well as the source of financing for these corporate activities. In this programming paper, resources for these activities are clearly identified.

157. In GEF-4, the corporate programs will include: cross-cutting capacity building efforts agreed to under the *Strategic Approach to Enhance Capacity Building*, the Small Grants Program, support to focal points, and the National Dialogue Initiative. These activities will contribute to strengthening capacities of stakeholders at the country level, increasing knowledge and understanding of the GEF (its policies and procedures and the issues that it addresses), and facilitating integration of global environmental issues into national development.

### *Capacity Building*

158. The past decade witnessed steadily increasing requests from the global environmental conventions to enhance efforts to build the capacity of developing countries to meet the objectives of the conventions.

159. Participants of the third GEF replenishment process recommended that the GEF Secretariat and Implementing Agencies propose means to rationalize and coordinate activities in the field of enabling activities and capacity building to achieve effectiveness and efficiency.

160. The Second GEF Assembly recommended that capacity building in recipient countries should be identified and addressed in a systematic manner, with medium sized projects playing an important role in capacity building, particularly in Least Developed Countries (LDCs) and Small Island Developing States (SIDS). The decision also called for the GEF to foster synergies among global environmental conventions through capacity building activities and to achieve effectiveness, efficiency and better mainstreaming of global environmental issues within the sustainable development agenda.

161. The WSSD also reconfirmed in October 2002 the priority of building capacity to assist developing countries to obtain their sustainable development goals.

### *Convention Guidance*

162. Convention guidance to the GEF has continuously assigned priority to providing financing for capacity building to assist Parties to implement the conventions. Throughout the past decade, guidance from the Convention on Biological Diversity and UNFCCC to the GEF has requested funding for country-driven capacity-building activities, particularly LDCs and SIDS. Within the deliberations of the UNCCD as well as the Stockholm Convention, capacity

building to assist countries to meet the objectives of the Conventions has been strongly emphasized.

*GEF Strategy on Capacity Building – Strategic priorities in GEF-3*

163. In May, 1999, the GEF Council, aware of the growing importance being assigned by the conventions to capacity building as well as the fragmentation of efforts to address this need, approved an 18-month Capacity Development Initiative (CDI) as a strategic partnership between the GEF Secretariat and UNDP, for the preparation of a comprehensive approach for developing the capacities needed at the country level to meet the challenges of global environmental action.

164. The findings and recommendations of the CDI formed the basis for the *Strategic Approach to Enhance Capacity Building* which was approved by the Council at its meeting in November 2003<sup>20</sup>. The strategic approach outlined four pathways for enhanced GEF capacity building support.

165. The first pathway, which calls for support to countries to undertake a National Capacity Needs Self Assessments (NCSAs), became operational in GEF-3. Currently, 114 countries have received GEF funding to conduct self assessments (NCSAs) and a few reports are now being completed. The majority of them are expected to conclude their work by end of 2005 and early 2006. The NCSAs identify and prioritize capacity needs that are specific to a particular area or those that address more than one focal area (crosscutting capacity building). To assist the countries, GEF has also funded a technical support program which is jointly implemented by UNDP and UNEP

*GEF Strategic objectives in GEF-4*

166. The objective in GEF-4 will be to recognize and strengthen the interrelationships amongst capacity, global environmental impacts and performance across the GEF focal areas. The GEF will, in particular, seek:

- (a) to strengthen the capacity of GEF focal points to participate in mainstreaming development planning and country assistance dialogue;
- (b) to develop capacity of sectoral ministries to integrate global environmental benefits by anchoring capacity building in programs and projects contributing to sustainable development; and
- (c) to support targeted research on integration of global environmental issues in sustainable development and particular sectors.

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<sup>20</sup> GEF/C.22/8

167. This will be done by operationalizing the pathways provided in the *Strategic Approach to Enhancing Capacity Building*<sup>21</sup> to provide assistance for capacity building approaches geared to achieving and mainstreaming global environmental benefits.

168. Financing for two of the pathways (embedding capacity building elements within the GEF projects and filling strategic gaps by supporting targeted focal area capacity building projects) will be funded through the resources programmed for the focal areas. This will be the main pathway for capacity building efforts. Indicators will be incorporated in project proposals that will allow for tracking of capacity building outcomes.

169. Financing for critical cross-cutting capacity building projects identified in the NCSAs and for initiating country programs for LDCs and SIDS will be financed under the proposed corporate programs allocation.

170. The approach in GEF-4, in consultation with all partners, will be to nurture capacity that can help move a country toward full ownership of its strategy for the global environment and sustainable development while simultaneously increasing skill utilization and retention. In order to identify, develop and deliver common tools for supporting capacity building activities, the GEF Secretariat and the Implementing Agencies will consider the advantages of merging the several issue specific or focal area specific technical support programs financed by the GEF into a single overarching support program. The focus of such a program would be to target training and technical support to local skills development and retention. It would promote enhanced collaboration among the Implementing Agencies and seek to promote decentralized delivery of technical support by building upon the capacity already built in national and regional centers of excellence.

## **The Small Grants Program**

### *Background and context*

171. The GEF Small Grants Programme (SGP) launched in 1992, has funded close to 5000 projects worldwide. These projects are managed by community-based organizations (CBOs) and non-governmental organizations (NGOs) in about 80 developing countries. SGP has operated in a decentralized, transparent, and country-driven manner, leaving the decisions to multi-stakeholder national-level steering committees.

172. The small grants programme has become a GEF flag-ship in developing capacity of the civil society, continuously improving upon ways to be more effective and amplify its impact. The programme has paid special attention to local and indigenous communities and gender concerns, and it aims for the replication and sustainability of its initiatives.

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<sup>21</sup> The three pathways are: to strengthen capacity building components in larger GEF projects; targeted capacity building projects in focal areas; and targeted crosscutting capacity building projects, including country-based cross-cutting capacity building programs for LDCs/SIDS. See GEF/C. 22/8

### *Guidance from the Council*

173. Recognizing its success the GEF Council authorized SGP to expand at an accelerated pace, increasing the number of new countries incorporated annually from five to ten, and giving priority to LDCs and SIDS in this expansion. The importance of this expansion was noted and welcomed by the CBD COP6 in its decision VI/17<sup>22</sup>.

#### *GEF-3*

174. During GEF-3 the number of SGP participating countries has grown to 73. The principal OPS2 objectives – strategic refocusing of the programme, mobilization of co-financing, stronger and systematic monitoring and evaluation, linkages with larger GEF projects, outreach and communications strategy – were successfully met. This has meant noticeable overall improvement in SGP operations at the global, country, and local levels; grant-making that clearly responds to the GEF strategy and criteria; meeting co-financing targets for OPS2 thus far; and leveraging of impact through replication, mainstreaming in UNDP and GEF, and influencing government and donor environmental policies and programs.

#### *GEF-4*

175. 28. A study of 134 SGP projects has been initiated to identify impacts, and the results of the study will be used to improve the design of SGP projects and the monitoring and evaluation process.

176. The program will incorporate two new focal areas (Land Degradation and POPs) and a number of operational programs, as well as established strategic priorities such as adaptation for each focal area to guide the programming of resources.

177. The building of capacity within civil society will continue to remain an important element of GEF support through the GEF Small Grants Programme (SGP). SGP will focus on achieving the following principal outcomes:

- (a) increasing its global reach, especially to address global environmental problems in vulnerable countries;
- (b) implementation of well-designed project portfolios that also incorporate new GEF focal areas and themes;
- (c) strengthening of existing country programs for greater impact and as a base for expansion;
- (d) demonstration of SGP's local and global benefits and application of lessons learned and good practices;
- (e) enhancing the longer-run sustainability of SGP-funded programs and projects;

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<sup>22</sup> <http://www.biodiv.org/decisions/default.aspx?m=COP-06&id=7191&lg=0>

- (f) fuller realization of SGP's potential as a GEF corporate program through closer working relationships with GEF Implementing Agencies (IAs); and
- (g) adoption of a graduation policy that would enable the program to spread its reach to countries those have yet to benefit from a SGP.

## **Support to National Focal Points and Council Members**

### *Background and Context*

178. In response to the findings of the Overall Performance Study of the GEF and the New Delhi Statement of the first GEF Assembly, the Council approved a program of support to Council Members and focal points in May 1999<sup>23</sup>. The program was designed to provide financing for services to help the GEF national focal points and Council Members in recipient countries carry out their roles and responsibilities more effectively and raise awareness of the goals and opportunities offered by the GEF.

### *Guidance from the Council*

179. At the Council meeting in May 2003<sup>24</sup>, the Council agreed to continue the focal point support program pending a review of the program by the Council and a decision as to a means to continue strengthening focal points as agreed at the second GEF Assembly. In addition, the Council authorized an independent evaluation of the program to provide information that would assist it in considering whether and how it should be extended in the future.

180. The report<sup>25</sup> of the independent evaluation of the GEF Council Member and Focal Point Support Program concluded that “the GEF Focal Point and Council Member Support Program contributed to improved communication, increased awareness and better coordination with program stakeholders and has facilitated more interaction with governmental and private stakeholders. The support program has also provided a useful vehicle for collaboration between the GEF Secretariat, the Implementing Agencies and the focal points and Council Members”.

### *GEF-3*

181. Demand for GEF support at the country level grew in GEF-3 as a result of an increase in the topics being covered in the GEF portfolio and as countries begin to develop long-term programming approaches to GEF activities. Rapid focal point turnover in recipient countries has also resulted in a lack of institutional memory of the GEF and the need to re-educate countries to ensure their effective participation and continued ownership.

182. Coordinated by the GEF Secretariat and administered by the UNDP and the World Bank through their field offices, the program has been implemented in 119 countries to date. As of May 2005, the program has expended \$1,652,360 of the \$2,162,900 allocated for its

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<sup>23</sup> GEF/C.13/13

<sup>24</sup> GEF/C.23/12

<sup>25</sup> GEF/C.23/Inf.12

implementation. Activities funded by the program included organization of stakeholder consultations, dissemination of GEF documents, accessing GEF information through the electronic network or a field office reference library and organizing country and constituency level governmental coordination.

#### *GEF-4*

183. The GEF will continue to provide support to GEF focal points to ensure that they become more effective agents for integrating GEF activities into their national sustainable development framework so that projects achieve positive global environmental results and impacts while strongly supporting country development policies. In view of the low capacity in LDCs and SIDS, special attention will be provided to this group.

184. In GEF 4, it is proposed that the focal point and Council Member support program be redesigned in the short term to focus on providing support for activities that help to strengthen coordination and multisector/multistakeholder dialogue at the national and constituency level, and to enhance the capacity of countries to develop and implement GEF projects. It is also anticipated that the program will evolve over the next four years towards a more focused program that can be mainstreamed into capacity building activities within each country

### **Multi-Stakeholder Participatory Dialogues**

#### *Background and Context*

185. The GEF Country Dialogue Workshops project was approved in November, 1998<sup>26</sup>, by the GEF Council. It provided financing for up to 50 country dialogue workshops to build country coordination and capacity and to promote awareness-building by means of country level participatory workshops.

#### *GEF-3*

186. The GEF National Consultative Dialogue Initiative was approved by Council in May 2003<sup>27</sup>. It builds upon the lessons learned from the GEF Dialogue workshop and seeks to (i) promote in-depth understanding of the GEF's strategic directions, policies and procedures; (ii) strengthen country coordination and ownership in GEF operations and share lessons learned from project implementation; and (iii) achieve greater mainstreaming of GEF activities into national planning frameworks (such as national sustainable development strategies and poverty reduction strategies) and greater coordination and synergies amongst the GEF focal areas and convention issues at the national level. National Dialogue Workshops have been held in 14 countries to date and an additional 20 workshops are planned.

#### *GEF-4*

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<sup>26</sup> GEF/C.12/3

<sup>27</sup> GEF/C.21/7



187. In GEF-4, it is expected that these workshop programs will continue to evolve and the GEF intends to draw upon the lessons learned from the previous workshops to design new programmes which will respond to the wide-ranging needs expressed by GEF stakeholders. To date, countries have requested GEF support to host national dialogues and workshops focusing on a wide variety of GEF issues such as national GEF policy (e.g., mainstreaming, coordination), awareness raising, training, and partnership building (e.g., private sector, donor community, civil society). Depending upon the expressed scope of the dialogue or workshop, target audiences will vary considerably in both scope and size, ranging from small targeted groups of less than twenty to broader groups of 100 or more stakeholders. In order to provide the flexibility to effectively and efficiently respond to a wide variety of needs unique to each participating country and increasing demand, the GEF will request funds to continue to support countries in GEF4 once the current project is completed.

## Expected Outcomes and Targets in GEF-4 by Strategic Objectives: Corporate Programs

Pathways	Primary Outcome	Scenario 1 \$240 million	Scenario 2 \$240 million	Scenario 3 \$280 million
I-Targeted cross-cutting capacity building projects	Acquisition of priority capacity needs for global environment management as a follow-up of National Capacity Needs Self-Assessments (NCSA)	\$30 million Targets & Indicators Supporting priority needs in 60 developing countries that successfully complete NCSAs through MSPs costing up to \$500,000 on average per, country.		\$47 million Targets & Indicators Supporting priority needs through 90 projects that successfully complete NCSAs.
II-Country programs for LDCs and SIDS	Gaining essential capacity in majority of LDCs and SIDS to address and incorporate global environmental management into national sustainable development.	\$25 million Targets & Indicators Address critical capacity bottlenecks identified in NCSAs in 50 LDCs and SIDS.		\$35 million Targets & Indicators Addressing critical capacity, bottlenecks identified in NCSAs in 70 LDCs and SIDS.
III-Small Grants Program	Increased capacity of civil society to contribute in global environmental management at the national level	\$170 million Targets & Indicators Program spread over 93 countries, inclusion of two new focal areas (Land Degradation and Persistent Organic Pollutants), raising co-financing of 70% o GEF contribution and demonstration of global environmental benefits.		\$180 million Targets & Indicators Program spread over 100 countries.
IV-Support to National Focal Points and Council Members	Augmented capacity of GEF Focal points in recipient countries	\$7 million Targets & Indicators Support to 120 National GEF Focal Points and Council Members in recipient countries to strengthen coordination and enhance capacity of countries to develop and implement GEF projects.		\$8 million Targets & Indicators Support to 140 National GEF Focal Points and Council Members in recipient countries to strengthen coordination and enhance capacity of countries to develop and implement GEF projects.
V-Multi-stakeholder Participatory Dialogues	Improved understanding by stakeholders of the GEF's strategic directions, policies and procedures; strengthened country coordination in GEF operations including greater coordination amongst GEF focal areas; mainstreaming of GEF activities into national planning frameworks	\$8 million Targets & Indicators Up to 64 multi-stakeholder consultations benefiting 64 countries involving approximately 4500 participants.		\$10 million Targets & Indicators Up to 88 multi-stakeholder consultations benefiting 100 countries involving approximately 6000 participants.

## Overview of GEF-4: Focal Areas Strategic Objectives and Anticipated Outcomes

Program Goal and Focal Area Portfolio Objectives	Strategic Objectives for Each Focal Area	Portfolio Outcomes/Results
<p><b>Program Goal</b> Contribute towards global environmental sustainability (Millennium Development Goal 7) by financing country-driven projects that generate global environmental benefits</p>	<p>-----</p>	<p>Strengthened management of the global environment (climate, land and water, biodiversity) and reduction of releases of POPs and ODS</p>
<p><b><u>Focal Area Portfolio Objectives:</u></b> <b><u>Biodiversity:</u></b> The conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits arising out of the utilization of genetic resources</p>	<ol style="list-style-type: none"> <li>1. Catalyzing sustainability of protected areas</li> <li>2. Mainstreaming biodiversity conservation in production systems</li> <li>3. Capacity building for the Cartagena Protocol on biosafety</li> <li>4. Generation and dissemination of good practices for addressing current and emerging issues in biodiversity</li> </ol>	<p>Support to countries to achieve a significant reduction in the rate of biodiversity loss by 2010 as measured by CBD 2010 targets</p>
<p><b><u>Climate Change:</u></b> Influence, develop, and transform the markets for energy and mobility in developing countries so that over the long term, they will be able to grow and operate efficiently toward a less carbon-intensive path</p>	<ol style="list-style-type: none"> <li>1. Promoting energy-efficient appliances and equipment</li> <li>2. Promoting industrial energy efficiency</li> <li>3. Promoting building energy efficiency</li> <li>4. Promoting grid electricity from renewable sources</li> <li>5. Promoting renewable energy for rural energy services</li> <li>6. Supporting the deployment of new, low-GHG-emitting energy technologies</li> <li>7. Facilitating sustainable mobility in urban areas</li> <li>8. Piloting a strategic approach to adaptation</li> <li>9. Promoting repowering of power plants (for higher replenishment scenarios)</li> </ol>	<p>Coordinated market development and scale-up in the areas of energy efficiency, renewable energy, and sustainable transportation</p>
<p><b><u>International Waters:</u></b> Contribute, primarily as a catalyst, to the implementation of a more comprehensive, ecosystem-based approach in managing international waters</p>	<ol style="list-style-type: none"> <li>1. Catalyzing implementation of agreed reforms and stress reduction investments on-the-ground to address transboundary water concerns</li> <li>2. Expanding foundational capacity building to a limited # of new transboundary systems through integrated approaches and targeted learning for the IW portfolio</li> <li>3. Undertaking innovative demonstrations addressing key program gaps (groundwater, IWRM, SIDS concerns) in IW, with a focus on SIDS</li> </ol>	<p>Countries are equipped with and implement actions that bring about measurable reductions of anthropogenic stress to international water</p>

<b>Program Goal and Focal Area Portfolio Objectives</b>	<b>Strategic Objectives for Each Focal Area</b>	<b>Portfolio Outcomes/Results</b>
<p><b><u>Land Degradation (Desertification and Deforestation):</u></b></p> <p>Mitigate the causes and negative impacts of land degradation, especially desertification and deforestation on the structure and functional integrity of ecosystems through sustainable land management practices</p>	<ol style="list-style-type: none"> <li>1. Promoting the country partnership framework approach for removing barriers to SLM and foster system-wide change</li> <li>2. Upscale successful SLM practices for the control and prevention of desertification and deforestation through new operations</li> <li>3. Generating and disseminating knowledge addressing current and emerging issues in SLM</li> <li>4. Promote cross focal area synergies and integrated approaches to natural resources management</li> </ol>	<p>Support to countries to remove barriers for sustainable land management through:</p> <ul style="list-style-type: none"> <li>- improving policy frameworks for SLM;</li> <li>- develop institutional and human capacities for SLM; and</li> <li>- promoting domestic and international investments for SLM</li> </ul> <p>with a special focus in LDC and SIDS</p>
<p><b><u>POPs:</u></b></p> <p>Reduce and eliminate the releases of POPs in order to protect human health and the environment</p>	<ol style="list-style-type: none"> <li>1. NIP program and dissemination of best practices</li> <li>2. Strengthening capacity for NIP implementation</li> <li>3. Partnering in investments for NIP implementation</li> <li>4. Partnering in demonstration of innovative technologies and practices for POPs reduction</li> </ol>	<p>Strengthened capacity of countries to manage POPs and implement the Stockholm Convention, and reduction of POPs releases</p>
<p><b><u>ODS:</u></b></p> <p>Contribute to measures that protect human health and the environment through preventing releases of ODS</p>	<ol style="list-style-type: none"> <li>1. Addressing HCFCs, residual use of MeBr, and institutional strengthening and other non-investment activities</li> </ol>	<p>Countries implement ODS consumption and production control measures according to schedule and meet their reporting obligations under the Montreal Protocol</p>
<p><b><u>Corporate Programs:</u></b></p> <p>Support the mainstreaming of global environmental issues into the national development agendas</p>	<ol style="list-style-type: none"> <li>1. Cross-cutting capacity building projects</li> <li>2. Country programs for LDCs and SIDS</li> <li>3. Small Grants Program</li> <li>4. Support to focal points</li> <li>5. Multi-stakeholder dialogue</li> </ol>	<p>GEF client countries incorporate their strategy for global environment protection in the framework of their sustainable development strategies</p>