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CEO'S REPORT ON THE POLICIES, OPERATIONS AND FUTURE DEVELOPMENT OF THE GEF

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INTRODUCTION

1. Since the first GEF Assembly in New Delhi in 1998, the world has embarked upon a new millennium. One of the greatest challenges in our lifetimes will be to ensure that future generations can sustain their lives on the planet. GEF's mission is to strengthen the links between sustainable economic development and protection of the global environment, as well as those between environmental security and a stable social order.
2. GEF is the leading multilateral mechanism providing grant and concessional financing for global environmental protection. It has effectively used its resources and delivered significant results for sustainable development. Developing countries and countries transitioning to market economies increasingly look to the GEF as their principal partner in global environmental problem solving.
3. GEF-financed projects in more than 160 countries:
 - (a) Conserve biodiversity, improving ecological systems and farmland, coastal, mountain, marine, and wildlife resources to secure better livelihoods for people who use them;
 - (b) Save energy and open doors for renewable energy technologies, extending power to rural communities and reducing reliance on less efficient technologies that cause air pollution and contribute to climate change;
 - (c) Address over-fishing and the degradation of oceans, coastlines, lakes, wetlands, and rivers caused by the loss of habitats and pollution; and
 - (d) Assist nations in Eastern Europe, Central Asia, and the Russian Federation in phasing out the use of chemicals that deplete the ozone layer.
 - (e) Arrest the loss of woody vegetation, deforestation and unsustainable fuel wood use, and reverse habitat conversion from cropping and pasture expansion and urban development.
4. As we live in an interdependent world, managing the global environment benefits all people. Similarly, sustainable development is essential to securing lasting poverty eradication and greater welfare for all people.
5. The World Summit on Sustainable Development in Johannesburg in August and September 2002 fully recognized the important contribution the GEF has made to advancing the global environmental objectives of Agenda 21 adopted at the United Nations Conference on Environment and Development in 1992.
6. GEF embodies partnerships at different levels and dimensions, facilitated by the GEF Council and Secretariat, and builds upon the comparative strengths of its partners. GEF is first a union of developed and developing country participants to achieve global environmental benefits. Another

significant level of partnership unites the GEF Secretariat, its Scientific and Technical Advisory Panel (STAP), and the three Implementing Agencies – UNDP, UNEP and the World Bank – which have made significant contributions to the evolution and success of the GEF. This partnership will increasingly include a wider circle of agencies with expanded opportunities to execute GEF projects.

7. Since the first Assembly, the international community has asked the GEF to assume additional tasks with respect to existing focal areas as well as dealing with persistent organic pollutants, land degradation, and a more systematic approach to capacity building. GEF is the major source of funding specifically supporting the Convention on Biological Diversity and the UN Framework Convention on Climate Change. GEF's funding also supports countries to achieve the objectives of the Stockholm Convention on Persistent Organic Pollutants and the UN Convention to Combat Desertification.

8. The statistics tell an important story. Membership in the GEF has increased to 173 participating states. Since its formation in 1991, GEF has committed (as at end-June 2002) roughly US\$4 billion in project resources and mobilized an additional US\$12 billion in financing through more than a thousand projects in 160 countries and some 3,000 small grants.

9. The recently agreed level of the third replenishment of the GEF Trust Fund, the highest level yet achieved, will allow the GEF to continue to respond fully and effectively to demands in its existing core focal areas of global environmental activities as well as to those emerging from its new mandate in the areas of persistent organic pollutants and desertification. The replenishment is the result of a strong effort by all donors who exercised leadership, generosity, and good will to arrive at a successful conclusion.

10. The high level of the third replenishment and the decision of the Parties to the UN Framework Convention on Climate Change to request the GEF to manage three new climate change funds represent a vote of confidence by the international community in the GEF partnership and its effectiveness in carrying out its mandate.

11. As noted in the Second Overall Performance Study of the GEF (OPS-2), GEF-supported projects have been able to produce significant results that address important global environmental problems.

- (a) In the biodiversity focal area, GEF support for participatory approaches has steadily improved management standards for protected areas;
- (b) Under its climate change programs, GEF has been very effective in promoting energy efficiency and has achieved success in promoting grid-connected renewable energy;
- (c) GEF-supported activities in the international waters focal area have contributed significantly to the implementation of existing global and regional agreements that address protection and restoration of freshwater and marine ecosystems;

- (d) Under the GEF ozone program, which supported implementation of the Montreal Protocol in economies under transition in Eastern Europe and Central Asia, the use of ozone depleting substances has been significantly reduced; and
- (e) Projects undertaken primarily to achieve objectives in the areas of climate change, biodiversity conservation, and international waters have also addressed the causes of land degradation and built community capacity for sustainable management of land resources.

12. Given GEF's relatively short existence and the limited amount of funds, it is unrealistic to expect it to halt or reverse deteriorating global environmental trends. What is clear is that the GEF has produced a wide array of important project results—results that can serve as critical indicators for achieving positive environmental impacts in the future.

PART I – PROGRESS ACHIEVED SINCE FIRST ASSEMBLY

Recommendations of the First Assembly

13. At the first Assembly, Participants adopted twelve recommendations aimed at improving the performance and impact of the GEF. The GEF Council, the GEF Secretariat, the Implementing Agencies, and STAP have all strived in the past four years to respond to these recommendations. Much progress has been made. This section highlights the decisions of the GEF Council related to each of the recommendations. These decisions help to illustrate the evolution of GEF policies, procedures, and practices.

I. GEF should remain a facility at the cutting edge, innovative, flexible, and responsive to the needs of its recipient countries, as well as a catalyst for other institutions and efforts.

14. During the period since the first Assembly, the GEF Council approved 15 work programs. Together with projects approved by the CEO/Chairman of the Facility, a total of 771 projects were launched with GEF financing of US\$2.25 billion and cofinancing equal to approximately US\$7.500 billion.

15. The Council also reviewed and approved elements for three new operational programs on transport, integrated ecosystems management, and biological diversity important to agriculture. These operational programs have been finalized, and projects are being financed pursuant to their objectives.

16. The Council adopted a significant innovation in financing the administrative costs of project management. At its May 1999 meeting, the Council approved the use of a fee-based system to reimburse project implementation costs incurred by an Implementing Agency with respect to GEF projects.

II. GEF activities should be country-driven and efforts should be strengthened to achieve country ownership of GEF projects.

17. The GEF Council approved an action plan and resources to strengthen country level coordination and for greater outreach and communication. The objectives of the strategy are to: enhance awareness of the GEF (its mission, institutional structure, policies, operations, and procedures); strengthen national capacity to develop GEF-financed activities (thereby promoting country ownership of such activities); promote the active involvement of multiple constituencies in GEF activities, including NGOs, experts, and community groups at the local and regional level; disseminate good practices and lessons learned from GEF activities; and support country-level coordination.

18. Elements of the strategy include dissemination of information on best practices based on country experiences; a program of support to national focal points and Council Members through the resident offices of the Implementing Agencies; increased participation of national and regional experts in GEF activities; development of indicators of country ownership; a program of 50 Country Dialogue

Workshops; preparation and greater dissemination of public information material; workshops informing convention and other meetings about GEF projects as well as field visits to projects; and targeted NGO outreach.

III. GEF should increase efforts toward ensuring the sustainability of the global environment benefits generated by GEF financing and should act as a catalyst to bring about longer-term coordinated efforts with other funders for capacity building and training.

19. The GEF Council approved a strategic partnership with UNDP on capacity building. This 'Capacity Development Initiative' (CDI) was an 18-month planning exercise undertaken jointly by the GEF Secretariat and UNDP. Its objectives were to: make a broad assessment of the capacity building needs of developing countries and countries with economies in transition to address global environmental issues; take stock of earlier and ongoing efforts to assist national capacity building; and prepare a strategy and a GEF-specific action plan to provide enhanced and sustained assistance for the purpose.

20. The CDI was a highly consultative process, based on national inputs, regional expertise, contributions by NGOs and bilateral/multilateral agencies, and deliberations of the global conventions on climate change, biological diversity, and desertification.

21. The findings of the CDI, and the actions it proposes for enhancing assistance for national capacity building, were reviewed by the GEF Council in May 2002. The Council requested that further consultations be undertaken before presenting a revision of the strategic elements and framework for action to the Council at its meeting in May 2003. The Council also approved financing of national self assessments of capacity needs as a first step in implementing the recommendations developed through the CDI. Operational guidelines for financing the assessments were finalized in September 2001, and over 100 countries are in advanced stages of project preparation. Three projects for the preparation of national assessments have been approved.

IV. GEF should streamline its project cycle with a view to making project preparation simpler, transparent, and more nationally driven.

22. The GEF Council approved a number of decisions to streamline the project cycle and to promote greater transparency and country ownership. The Council:

- (a) Eliminated a second review of projects by the Council prior to CEO endorsement, unless Council indicates otherwise at time of approving project proposal;
- (b) Increased CEO authority to approve medium-sized projects (up to \$1 million) and Project Development Facility (PDF)-C resources;
- (c) Supported the development of a project tracking system to improve transparency;

- (d) Authorized the CEO to approve PDF-B resources for projects requiring preparation in multiple countries up to a ceiling of US\$700,000;
- (e) Shortened the time period in which technical comments by Council Members on project proposals are to be submitted to the Secretariat;
- (f) Simplified procedures for country endorsement by the national operational focal point (the endorsement given at the time a request is submitted for GEF PDF-B funding, or for PDF-A funding for a medium-sized project, will suffice as the country endorsement for the project proposal submitted for inclusion in the work program, unless the national focal point specifically requests that a second endorsement be sought prior to work program inclusion); and
- (g) Approved procedures to expedite the disbursement of the first tranche of GEF financing for PDF grants, enabling activities, and medium-sized projects.

V. GEF should undertake longer-term planning and multi-year support programs with a view to maximizing global environmental benefits.

23. The GEF Council has under consideration the development of a programmatic approach to provide opportunities for planning and providing longer term financial support. This support would flow through country-based programs that go beyond the scope of an individual project to support an integrated set of projects with a phased, multi-year commitment. The overall aim is to secure larger and sustained impact on the global environment through a medium to long-term program that better integrates global environmental objectives into national strategies and plans (e.g. a biodiversity strategy, sustainable energy plan, or a strategic action program for international waters). It is foreseen that the programmatic approach will be piloted in a few countries with a robust GEF project portfolio or pipeline.

24. The Council agreed to a more strategic approach to the GEF business plan based on programming according to agreed strategic priorities. This approach is to maximize the impacts and results from GEF-financed activities in light of Convention guidance, country priorities, and available resources while providing greater predictability and transparency to the allocation of resources.

VI. While recognizing the importance of the principle of incremental costs for the GEF, its definition should be made more understandable. GEF should make the process of determining incremental costs more transparent and its application more pragmatic.

25. In response to the recommendations of the Assembly and Council, the GEF convened a workshop to provide input to the development of guidelines for negotiating incremental costs as well as simplified approaches to incremental costs in the GEF focal areas.

26. The Council approved steps proposed by the workshop to make the process of determining incremental costs more pragmatic. These include training on incremental costs within the context of the Country Dialogue Workshops and inclusion of formal procedures and processes relating to the negotiation of agreed incremental costs within the project cycle.

27. Additional studies have been commissioned to assist the GEF in continuing to simplify the application of the concept of incremental costs.

VII. GEF should be a learning entity and should strengthen its monitoring and evaluation functions and increase efforts to disseminate lessons learned from its experience in implementing its portfolio of projects and to stimulate the transfer and adoption of new technologies by recipient countries.

28. GEF's Monitoring and Evaluation Unit (M & E) has been continuously strengthened, and its program of work has matured considerably in the four years since the last Assembly. The primary end users of monitoring and evaluation products are: the GEF Council, the relevant conventions, the GEF Secretariat, partner agencies, STAP, other international organizations, non-governmental organizations, participating country representatives, and related stakeholders and interested public.

29. An essential and integral part of M & E strengthening has been improved feed-back and dissemination of analyses, findings, recommendations, and lessons learned. This entails clearly identified tasks, resources for their implementation, designated dissemination responsibilities, and identification of the needs of the end users. It also depends upon the use of techniques that promote and facilitate the integration of findings and lessons into GEF's programs and projects and, more broadly, in the advancement of all related efforts for achieving global benefits.

VIII In consultation with the Secretariat of the UN Convention to Combat Desertification, GEF should seek to better define the linkages between land degradation, particularly desertification and deforestation, and its focal areas and to increase GEF support for land degradation activities as they relate to the GEF focal areas.

30. The GEF Council approved an action plan to enhance GEF support for land degradation activities as they relate to the GEF focal areas. It also approved a recommendation to amend the GEF's founding charter, the *Instrument for the Establishment of the Restructured Global Environment Facility*, to designate land degradation, primarily desertification and deforestation, as a new focal area of the GEF.

IX. GEF implementing agencies should promote measures to achieve global environmental benefits within the context of their regular programs and consistent with the global environmental conventions while respecting the authority of the governing bodies of the implementing agencies.

31. The GEF Council reviewed action plans prepared by the Implementing Agencies on mainstreaming and called upon them to provide regular information to the Council on their efforts.

X. GEF should build strong relationships and networks with the global scientific community, especially with national scientists and scientific institutions in recipient countries.

32. STAP actively pursued its mandate of working closely with the wider scientific and technical community. Among other things, it organized an international workshop in January 1999 on “Integrating Science and Technology into GEF Work”, the results of which were presented to the GEF Council. The workshop focused attention on how to establish a dialogue with the global and regional science and technology networks and appropriate mechanisms for involving the science and technology community at the national level in the different phases of the GEF project cycle.

33. The GEF Council agreed to increase the size of STAP membership from twelve to fifteen to accommodate the new emerging areas being addressed by the GEF. The Council also approved the composition of STAP III and endorsed a strategic partnership with UNEP for mobilizing the scientific and technical community.

XI. GEF should promote greater coordination and cofinancing of its activities from other sources, including bilateral funding organizations, and should expand opportunities for execution of activities by those entities referred to in paragraph 28 of the Instrument, in particular the Regional Development Banks and non-governmental organizations.

34. The GEF Council approved expanded opportunities to access the GEF for four regional development banks (Asian Development Bank, African Development Bank, Inter-American Development Bank, and European Bank for Reconstruction and Development) and three UN organizations (IFAD, FAO, and UNIDO), and approved criteria for the expansion of opportunities for other executing agencies.

XII. GEF should strive to mobilize additional resources from both public and private sources. The GEF, as a platform for technological change, should also explore new opportunities for private sector partnerships as well as private-public joint ventures.

35. The GEF Council approved proposals to better engage the private sector in GEF activities and agreed to review incorporation of such approaches on a project-by-project basis.

36. GEF is continuing to increase its focus as a facilitator for public-private partnerships. The goal is to work with barrier removal to catalyze sustainable business enterprise that is environmentally sustainable as well. A new international waters project, for example, is testing the use of tariff

incentives and subsidized lending rates for Slovenian polluters to reduce pollution in the Black Sea and Danube River.

37. The climate change area remains the most advanced for private sector approaches, with risk guarantees expected to play a growing role. For example, if a geothermal company couldn't shoulder the risk of drilling wells, the GEF can offer contingent financing that is performance based and potentially insure the company for the cost. The biodiversity focal area has the most potential for developing private sector participation and this is evidenced by the larger numbers of private sector project proposals submitted for approval.

38. New biodiversity projects are piloting eco-enterprises, conservation easements, and other mechanisms. GEF recently approved the Asian Conservation Foundation project, which has become a new best practices model for eco-tourism. It is based on the principles of guaranteed purchase agreements for "green" products, changing tourism practices to be environmentally sustainable, ensuring long-term conservation by plowing back a share of profits from the companies into a conservation foundation, and at the same time keeping GEF money flows for conservation separate from the balance sheets of the companies themselves. This model is being hailed as an innovative contribution to the field of conservation finance.

Other progress

39. The OPS2 found that GEF-supported projects have been able to produce significant results that address important global environmental problems. Specifically, it found the following in each of the four focal areas and land degradation activities.

40. The GEF biodiversity program has made significant advances in demonstrating community-based conservation approaches both within and outside protected areas. GEF's program has resulted in building institutional and individual capacity in biodiversity conservation, developing new conservation approaches, forging effective partnerships, strengthening legal frameworks, influencing policy, and creating awareness on the importance of conserving biodiversity within the context of sustainable national development.

41. The GEF's climate portfolio has demonstrated a wide range of approaches to promote energy efficiency and renewable energy. Early efforts focused on technology development and demonstration, while in GEF-2 more projects have targeted market development, demonstration of sustainable business models, financing mechanisms, and demand side incentives. GEF projects have stimulated: greater awareness and understanding of climate change issues in many countries; greater knowledge of specific technologies by policy makers, financial institutions, energy sector companies, investors and NGOs; and climate friendly investment decisions and policy actions.

42. The GEF portfolio in international waters has made a significant contribution to the global health of international waters. Projects primarily support the implementation of existing global and regional agreements that address the protection and restoration of freshwater and marine ecosystems.

Furthermore, actions under GEF projects have facilitated new conventions, such as the Black Sea Convention and the Convention for the Protection of the Caspian Sea and adoption of legislation and best practices. GEF projects have also helped increase knowledge and develop databases at the national and regional level.

43. The GEF ozone program has had an unambiguous impact in assisting and catalyzing the phase-out of ozone depleting substances (ODS) in the countries with economies in transition. Total reductions in ODS consumption exceed 175,000 tons, and all recipient countries have recorded significant reductions. In this focal area, the GEF has acted consistently with the decisions of the Montreal Protocol, and it has materially assisted the countries with economies in transition to meet their obligations under the Protocol.

44. Land degradation has been a cross-cutting issue for the GEF. Positive operational results in land degradation emphasize the importance of inclusive stakeholder participation. Many GEF projects have addressed the causes of land degradation and built community capacity for sustainable management of land resources as part of activities to achieve outcomes primarily related to biodiversity, climate change, and international waters. GEF projects in this area most commonly have addressed: arresting the loss of woody vegetation, deforestation, and unsustainable fuel wood use; managing over-harvesting of flora and fauna; and reversing habitat conversion from cropping and pasture expansion and urban development.

45. GEF financing during the GEF-2 period can be broken down as follows:

Focal area	GEF financing (in US\$ thousands)	Cofinancing	Number of Countries
Biodiversity	864.41	2,134.57	141
Climate Change	794.70	4,331.37	136
International Waters	364.26	598.73	112
Ozone Depletion	57.07	84.63	16
Multiple Focal Areas	149.09	349.30	55
POPs	20.86	2.36	43

Action in new issue areas:

46. The GEF Council approved an Initial Strategy for assisting countries to prepare for the entry into force of the Cartagena Protocol on Biosafety together with over US\$ 26 million in GEF resources for the Development of National Biosafety Frameworks.

47. The Council approved initial guidelines for enabling activities of the Stockholm Convention on Persistent Organic Pollutants as an early response for assisting developing countries and countries with economies in transition to implement measures to fulfill their obligations under the Convention, and recommended an amendment of the Instrument to add a new focal area on persistent organic pollutants.

48. In response to the decisions of the UNFCCC requesting the GEF to manage three new climate change funds, the Council approved the administration arrangements for those funds.

49. GEF has made an important contribution to the preparation and deliberations of the WSSD with the objectives of informing a wide audience about the achievements of the GEF, presenting lessons learned that are valuable for future action and looking beyond the WSSD to the contribution that the GEF could make to the achievement of global environmental benefits within the context of sustainable development.

50. The GEF sponsored a series of Roundtables on sustainable energy, forests and biodiversity, land and water degradation, and financing the environment and sustainable development in response to an invitation from the UN General Assembly to participate fully in preparations for the World Summit on Sustainable Development. At each Roundtable, panels of experts from around the world, in consultation with civil society and other participants, provided concrete and practical recommendations for an action agenda to achieve global sustainability over the next decade. The recommendations were presented at the WSSD preparatory committee meetings and, a special briefing at the UN Forum Forests, and found their way into the preparatory documents and thinking for WSSD. The Ministerial Roundtable on Financing and Sustainable Development brought together Ministers of Development Cooperation/Finance and of Environment from developed and developing countries to examine issues associated with financing sustainability and to recommend innovative and practical means for adequate financing to ensure that environment is truly integrated into the development process. The roundtable was convened in two sessions: the first session was held during the International Conference on Financing for Development (Monterrey, Mexico, March 2002) while the second session was convened during the Ministerial session of the fourth preparatory meeting of the WSSD (Bali, Indonesia, May 2002). The recommendations of the roundtable were presented by its co-chairs to the plenary sessions of the International Conference on Financing and the Bali ministerial meeting.

Institutional

51. The Council reviewed the institutional structure of the GEF, and agreed to a proposed clarification of the roles and responsibilities of the GEF entities. Lead responsibility for institutional roles and functions within the GEF have been defined so as to avoid duplication and enhance collaboration among the GEF units.

52. The Council also took decisions to strengthen the capacity of the GEF Secretariat and welcomed the administrative arrangements agreed to by the World Bank and the GEF Secretariat to enhance the functional independence and effectiveness of Secretariat.

Membership

53. Membership of countries in the GEF has increased since the first Assembly from 164 Participants to 173.

Meeting of national focal points

54. In March 2000, pursuant to the Council-approved strategy to assist in the strengthening of country-level coordination with regard to GEF matters, the GEF convened a workshop on Good Practices in Country-level Coordination. The Workshop's aim was to obtain information on experiences in country-level coordination and to facilitate an exchange of views among focal points from countries that have established effective mechanisms for coordinating GEF-related matters.

55. A number of national focal points emphasized the usefulness of the meeting, and requested that the GEF organize on a regional basis periodic meetings of national focal points to share and disseminate experiences in coordinating GEF activities with the goal of further strengthening focal points, country ownership, and sustainability. The Council agreed a regional meeting should be held annually. The first regional meeting was held in Dakar in June 2001.

NGOs

56. The GEF is recognized as a leading financial institution with respect to public participation, due to its policy on NGO participation in pre-Council consultations and Council meetings as well as the significant and active involvement of NGOs and community-based organizations in GEF-financed projects. The GEF/NGO network is now comprised of over 460 groups, including non-governmental organizations, indigenous peoples representatives, and community-based organizations.

PART II – CHALLENGES FOR THE FUTURE

57. Albert Einstein once said: “As the circle of light expands so does the circumference of darkness.” Even while celebrating the achievements of the GEF, we have a responsibility to continue to be in the forefront of addressing global environmental challenges.

58. OPS-2 provides a wealth of information on GEF’s performance as well as recommendations for improvement. The negotiators of the third replenishment of the GEF also agreed on a number of policy recommendations relating to strategic issues to be addressed by the Council during the GEF-3 period. These recommendations, together with the statement of the Assembly, will be kept under consideration by the Council during the GEF-3 period. At its first meeting after the second Assembly, in May 2003, the Council will consider and approve an action plan to respond to the recommendations, and compliance with the action plan will be regularly reviewed by the Council. The following two sections of this report present the CEO’s proposals on matters to be addressed in the future development of the GEF. To a large extent, these proposals serve to highlight some of the principal recommendations by the OPS-2 and the GEF-3 replenishment.

Strengthening GEF activities at the country level

59. Country ownership of GEF operations continues to be essential to achieving sustainable results. More than ever before, GEF objectives and programs need to be integrated into national priorities, strategies, and programs for sustainable development. Policies and plans for each focal area need to highlight their global relevance and link contributions to all aspects of national development.

60. Meaningful country commitment, participation, and ownership is a prerequisite to integration of global environmental concerns into national sustainable development planning. Focused efforts are required to achieve sound environmental policies and frameworks, greater country level understanding of the GEF, strengthening of operational focal points, and close coordination at the country level, especially between GEF focal points and those of the conventions.

61. Capacity building is essential to achieving results and improving performance at the country level. Developing countries and countries with economies in transition have undertaken commitments to participate in global environmental management, but in many cases, the national capacity to fulfil these commitments is limited, particularly in the context of the more pressing needs of sustainable development.

62. The capacity needs and priorities of countries must be identified and dealt with in a systematic way if they are to be effective in addressing global environment issues and implementing the global conventions related to these issues.

Strategic planning

63. Together with the growing absorptive capacity of participating countries and the delivery capacity of the Implementing and Executing Agencies, GEF's broadening mandate is resulting in a scarcity of financial resources. The demands for GEF resources significantly exceed the financial resources available through the GEF Trust Fund. Constraints in available resources necessitate more strategic planning by the Council. This planning should be focused on maximizing impacts, taking into account country priorities, the balance within the focal areas of the GEF, guidance from the Conferences of the Parties to the global conventions for which the GEF serves as the financial mechanism, and outcomes and results to be achieved.

Relations with conventions

64. The GEF will continue to be responsive to the global environmental conventions, seeking to establish an effective and meaningful dialogue with the Conferences of the Parties on strategic priorities for addressing convention objectives in ways that draw on lessons learned in GEF-financed activities at the country level.

65. GEF will seek to better understand the synergies between the global environmental issues addressed by the conventions, and to work with the conventions to explore these synergies to maximize the impact of GEF activities across the conventions. In this regard, GEF will also continue to encourage countries to strengthen coordination at the country level among its various focal points and ministries on global environmental issues.

Institutional capacity of the GEF

66. Over the last decade, the GEF, with the concerted efforts of its Implementing Agencies, has made significant impacts in the improvement of the global environment as documented in the Second Overall Performance Study (OPS-2). But a number of concerns have also been raised (responsiveness to its clients, operational delays, confusion over roles, cost-effectiveness, etc.), and new developments have arisen. These new developments include:

- (a) A broader mandate for the GEF emanating from the guidance of the Conventions and recognition of the GEF as a distinct entity responsible for responding to such guidance;
- (b) New conventions and protocols addressing global environmental concerns which have requested the GEF to assist in promoting their objectives (the Cartagena Protocol on Biosafety, the Stockholm Convention on Persistent Organic Pollutants, the Convention to Combat Desertification);
- (c) Establishment of new convention funds that the GEF is to manage; and
- (d) Significant growth in both the absorptive capacity of the countries and the delivery capacity of the Implementing Agencies and executing agencies.

67. With a decade of operational and institutional experience, and recognizing the ongoing concerns and new challenges facing the GEF, it will be important to keep GEF's institutional structure under review so as to promote efficiency and effectiveness. Efforts at expanding the GEF partnership, such as those through the expanding opportunities of executing agencies, should be further pursued.

Stakeholder participation

68. GEF projects are, by and large, prepared in a participatory manner. Nevertheless, stakeholder participation should be addressed more systematically. The application of participatory processes need to be accompanied by the development of appropriate monitoring indicators so that both participation and sustainability issues can be addressed more effectively. Collection of baseline data on participation will facilitate monitoring of progress. The GEF-NGO network should be broadened and strengthened with a view to enhancing the policy dialogue achieved through the pre-Council NGO consultations.

Cofinancing

69. Increased cofinancing is a key issue in GEF efforts to have a significant positive impact on the global environment and sustainable development. Recipient countries, the Implementing Agencies, and Executing Agencies and other donors need to generate additional resources to leverage GEF funding.

Private Sector

70. Despite GEF efforts to engage the private sector, many opportunities remain unexploited and many barriers to a wider engagement of the private sector in the protection of the global environment still remain. The GEF should work with countries to create an enabling environment that will attract private sector as well as non-profit funding leading to global environmental benefits. Capacity building at the institutional and systemic level will be important in this respect. The GEF should seek to promote more extensive communication with, and engagement of, the private sector and non-profit organizations with a view to harnessing maximum resources to address global environmental concerns.

STAP

71. The important role of STAP as a scientific advisory body to the Council is recognized, and its ability to fulfill its strategic advice functions should be strengthened. There is a need to clarify and focus its role in project development and review, and to better define its role in the monitoring and evaluation activities of the GEF

Measuring performance through strengthened monitoring and evaluation

72. The GEF should increase its emphasis on quality and results. A strengthened monitoring and evaluation function within the GEF, built upon the monitoring and evaluation systems of the Implementing and Executing Agencies, is necessary to improved measurement of GEF outcomes and results. The establishment of a framework for monitoring and evaluation with clear indicators and the extension of

monitoring and evaluation tasks to more strategic and programmatic issues should be integral components of GEF monitoring and evaluation activities. The monitoring and evaluation framework should provide for the incorporation of the views of, and lessons emanating from, the recipient countries. Cross-learning within the GEF should be strengthened and accelerated so that GEF resources can be used more effectively.

PART III – RECOMMENDATIONS

Expanded mandate of the GEF and the third replenishment of the GEF Trust Fund

73. The Council's recommendations to amend the *Instrument for the Establishment of the Restructured GEF* to designate land degradation, primarily desertification and deforestation, and persistent organic pollutants as new GEF focal areas should be approved by the Assembly. The recently concluded third replenishment of the GEF is to be commended for providing additional resources necessary to enable the GEF to fulfill this expanded mandate.

Enhancement of GEF activities at the country level

74. The GEF should consult with each country on the range of operational tools and programming options developed for accessing GEF assistance (e.g. the small grants program, enabling activities, medium-sized projects, the programmatic approach, and strategic partnerships) so as to tap the most appropriate tools to address needs and enhance performance and effectiveness. This consultation can occur through country and regional dialogue workshops and the Implementing Agencies' own country programming efforts. GEF Implementing Agencies should continue, in their dialogue with countries, to address the performance indicators related to expected success of a project at the country level, including country ownership, replicability, sustainability, public involvement, monitoring and evaluation, and cofinancing. Such indicators should also address assessment of project results and global environmental impacts.

75. Where a need is identified for capacity building, removal of policy barriers or strengthening of other conditions that contribute to project success, such needs or barriers should be addressed first.

Strategic planning

76. The Council should annually approve a strategic business plan to allocate scarce GEF resources within and among focal areas with a view towards maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide. The new strategic business plan should be a performance-based, three-year plan, that includes priorities for action to maximize results and impacts on the ground and to fulfill the mission of the GEF to achieve global environmental benefits in its focal areas.

77. The Council should develop criteria for project and program quality, including criteria on cofinancing, on the basis of monitoring and evaluation experience and lessons learned by the GEF. This will provide an important mechanism to support strategic business planning.

Cofinancing

78. The GEF should strengthen its catalytic role, through mainstreaming, cofinancing, and particularly the replication of successful activities on a much larger scale.

79. The GEF should establish and keep under review a cofinancing policy, with consistent criteria and reporting requirements as well as cofinancing targets. Such targets should provide flexibility to take into account specific project situations. The amount of realized cofinancing in a project or program should be monitored and compared to the amount of cofinancing anticipated at the time of Council approval, and this should be reported to the Council on a regular basis.

Private Sector

80. The GEF should strive for increased co-operation with the private sector to pioneer commercial approaches to delivering environmental benefits through developing and expanding effective market demand in developing countries.

81. Recognizing previous efforts to engage the private sector, it is recommended that the GEF Secretariat, in collaboration with the Implementing and Executing Agencies, develop a new strategy to better engage the private sector, taking into account previous practices and policies and consultations with private sector actions. The strategy should address how project design and implementation could place greater emphasis on the development of an enabling environment and market-oriented strategies to enhance sustainability and replication.

Measuring performance through strengthened monitoring and evaluation

82. The GEF Secretariat and Implementing and Executing Agencies should collaborate to ensure that strategic goals and priorities established in the strategic business plan are linked to programmatic and project performance indicators, including expected outcomes that can be monitored and measured with a view to assessing progress towards fulfilling such strategic goals. Indicators should be designed with a view to assessing global environmental impacts achieved from the GEF resources.

83. In this regard, the GEF monitoring and evaluation unit, for purposes of evaluation, should be made independent, reporting directly to the Council, with its budget and work plan determined by the Council and its head proposed by the GEF CEO and appointed by the Council. This monitoring and evaluation unit should report annually to the Council on its work.

84. The GEF Secretariat and Implementing and Executing Agencies should establish procedures to disseminate lessons learned and best practices emanating from the monitoring and evaluation activities. This should include a formal “feedback loop” between evaluation findings and management activities to ensure more systematic use of the results and outputs of GEF projects for the improvement of planning and subsequent activities.

Conclusion

85. Since the Earth Summit in 1992, the GEF has grown from a pilot program to the largest investor in the global environment. Over the past decade, the GEF has been a catalyst, demonstrating viable actions, transferring technologies, working with governments, the private sector, non-governmental

organizations and international institutions to address complex environmental issues in a very practical and pragmatic way. OPS-2 found that the GEF “has produced significant results” for global environmental protection and sustainable development.

86. With agreement on the GEF-3 replenishment, the GEF will be able to continue financing activities in its four core focal areas while providing additional support for an expanded mandate and wider range of programs. The GEF has been privileged to help implement its part of the global partnership for sustainable development envisioned by the Earth Summit and reconfirmed in Johannesburg. During GEF-3, no effort should be spared to continue the GEF’s evolution and continuous improvement to allow it to effectively contribute to the implementation of the agreements that emerge from the WSSD for the sake of a more secure and sustainable way of life on earth for current and future generations.