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Agenda Item 4

SUMMARY OF NEGOTIATIONS ON THE FOURTH REPLENISHMENT OF THE GEF TRUST FUND

Recommended Council Decision

The Council, having reviewed the *Summary of Negotiations on the Fourth Replenishment of the GEF Trust Fund* (Document GEF/C.29/3) welcomes the successful conclusion of the replenishment, takes note of the Summary, and endorses the Replenishment Resolution, the policy recommendations, and the allocation of resources among focal areas set forth in Table 1 of the programming paper.

The Council requests the CEO/Chairperson of the Facility to transmit this Summary to the World Bank with a request that the World Bank Executive Directors be invited to adopt Annex C to this Summary, Resolution No. ____, The Global Environment Facility Trust Fund: Fourth Replenishment of Resources, thereby authorizing the World Bank, as Trustee of the GEF Trust Fund, to manage the resources made available under the GEF-4.



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GEF
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Agenda Item 9

SUMMARY OF NEGOTIATIONS ON THE FOURTH REPLENISHMENT OF THE GEF TRUST FUND

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SUMMARY OF NEGOTIATIONS

1. The Contributing Participants to the fourth replenishment of the GEF Trust Fund (“the Participants”) agreed to this Summary of Negotiations for transmittal to the GEF Council, along with the attached documents: *Policy Recommendations for the Fourth Replenishment of the GEF Trust Fund* (Annex A), *Programming Document for the Fourth Replenishment of the GEF Trust Fund* (Annex B), and Resolution No. [____], *Global Environment Facility Trust Fund: Fourth Replenishment of Resources* (Annex C).

2. This Summary highlights the main agenda items that were considered during these meetings. It is not a comprehensive report of all the detailed discussions that took place during the negotiating process.

The Replenishment Process

3. In November 2004, the GEF Council requested the World Bank, as Trustee of the GEF Trust Fund, in cooperation with the CEO/Chairman of the GEF, to initiate the fourth replenishment of the GEF Trust Fund (“the GEF-4”). Accordingly, the Trustee invited prospective Participants to an initial meeting to plan the replenishment negotiations (March 2-4, 2005 in Paris).

4. The meeting welcomed the initiation of the GEF-4 replenishment process and noted the importance of the GEF as the leading multilateral funding mechanism to address global environmental issues and the corresponding multilateral environmental agreements. The Participants agreed on the preliminary schedule of subsequent replenishment meetings.¹ In addition, agreement was reached on the arrangements for participation in the replenishment discussions as well as the overall work plan for such discussions.

5. It was agreed that the GEF-4 replenishment discussions should include the following subjects: (i) the Third Overall Performance Study of the GEF (“OPS3”); (ii) programming of resources for the GEF-4; (iii) policy recommendations for the GEF-4; and (iv) financial arrangements and burden-sharing for the GEF-4. It was also pointed out that a decision of the GEF Council on the establishment of a framework for allocation to countries based on global environmental priorities and country-level performance (the “Resource Allocation Framework”) was a key issue for the GEF-4 replenishment discussions.

Third Overall Performance Study of the GEF

6. Participants welcomed the Third Overall Performance Study of the Global Environment Facility, an independent evaluation of the operations of the GEF during the third replenishment period. Specifically, the independent team evaluated: (i) the results of GEF activities; (ii) sustainability of results at the country level; (iii) GEF as a catalytic institution; (iv) GEF policies, institutional structure and partnerships, and (v) GEF implementation processes. Participants

¹ The following replenishment meetings were held: June 9-10, 2005, Washington, D.C.; September 2, 2005, Washington, D.C.; October 5-7, 2005, Rome; November 11, Washington, D.C.; November 21-22, 2005, Tokyo; and June 5-6, 2006, Washington, D.C.

noted that the review was useful in informing the replenishment negotiations of the achievements of the GEF as well as problems that may need to be addressed.

Policy Recommendations for the GEF-4

7. Participants noted the critical importance of the fourth replenishment of the GEF and recommended that the GEF continue to implement GEF-3 reforms and undertake a range of additional measures to improve performance and results. These recommendations include the following: (i) programming directions (synergies among objectives of the global environmental conventions and strengthening the link between environment and development); (ii) strategies and policies (revisions of the focal area strategies, private sector, and incremental costs); (iii) institutional reforms (Resource Allocation Framework and expanded opportunities for Executing Agencies); (iv) managing for results (capacity building, results indicators, and country indicators); (v) operational reforms (project cycle streamlining, pipeline management, fiduciary responsibility, communications and transparency, lesson learning and dissemination, budget reform, and institutional effectiveness); and (vi) monitoring and evaluation (quality of monitoring and evaluation systems, compliance with monitoring and evaluation requirements, and performance and outcomes matrix). The *Policy Recommendations for the Fourth Replenishment of the GEF Trust Fund* is attached as Annex A to this Summary.

Programming of Resources under the GEF-4

8. Participants considered a proposal for the programming of resources in the fourth replenishment period to cover four years (FY07 – FY10) of GEF operations and activities in its six focal areas. The *Programming Document for the Fourth Replenishment of the GEF Trust Fund* is attached as Annex B to this Summary.

9. In reviewing the programming of resources for the GEF-4, Participants agreed to the distribution of resources among focal areas set forth in the programming paper annexed to this summary. The programming paper was viewed as a useful foundation for activities to be developed in GEF-4, but it was not endorsed as such by the Participants. It was recognized that further programming guidance will be provided by the Council during the course of the GEF-4 period.

10. Participants stressed the role of the GEF as the principal financial mechanism for the global environment and the importance and benefits of a single mechanism addressing the broad range of global environmental issues. Participants also recognized the growing demands being placed on the GEF, particularly in light of the designation by the second GEF Assembly of land degradation and persistent organic pollutants as new GEF focal areas. In determining the size of the replenishment, these needs as well as the needs of existing focal areas were balanced against the realistic ability of donors to contribute.

GEF-4 Financing Framework and Final Pledging

11. The basic financing framework for the GEF-4 was agreed over the course of several meetings, resulting in a replenishment size in the amount of SDR 2.1 billion (USD 3.1 billion). Within this context, most Participants noted the imperative of maintaining fair and equitable burden-sharing.

12. Participants recognized the importance of the GEF as a unique mechanism to address global environmental issues. Contributing to the GEF Trust Fund is one way for governments to comply with their commitments under the multilateral environmental agreements. It was recognized that a substantial replenishment supported by the entire international community would strengthen the GEF and enable it to provide additional support for the implementation of the aforementioned environmental agreements for which the GEF serves as the, or a, financial mechanism. A substantial replenishment will also enable the GEF to provide additional assistance to recipient countries, including the Least Developed Countries.

13. In order to achieve a significant level of funding for the GEF-4 and to address a shortfall of funding from a few Participants, many Participants agreed to pledge at the same level as their GEF-3 national currency contributions, thereby providing substantial supplemental contributions to the GEF-4. In addition, several Participants made pledges to the GEF-4 beyond their GEF-3 national currency contributions. Several Participants noted that not all Participants were in a position to contribute more than their basic share but recognized and thanked those that were able to make special efforts to contribute that resulted in a GEF-4 replenishment level that exceeded that of the GEF-3.

14. Participants agreed on the six-month averaging period for setting reference exchange rates (May 1, 2005 to October 31, 2005) for use in the GEF-4. These exchange rates are used to determine the national currency contributions to the GEF-4.

15. Pledged contributions to the GEF-4 are reflected in Attachment 1 to the Replenishment Document, *Global Environment Facility Trust Fund – Fourth Replenishment of Resources*. These pledged contributions comprise basic and supplementary contributions amounting to SDR 1.56 billion (USD 2.28 billion) and also reflect credits for accelerated encashments in the amount of SDR 12 million (USD 17 million) and adjustments towards full funding in the amount of SDR 23 million (USD 34 million). In addition, GEF-4 replenishment resources comprise carryover of previous GEF replenishment resources in the amount of SDR 326 million (USD 478 million), and projected investment income to be earned during the GEF-4 replenishment commitment period (FY2007 – FY2010) in the amount of SDR 251 million (USD 368 million).

Replenishment Resolution

16. The Participants approved the Replenishment Document, Resolution No. [____], *Global Environment Facility Trust Fund: Fourth Replenishment of Resources* (Annex C), which is in the form of a World Bank resolution, to be considered by the GEF Council and submitted to the

World Bank, as Trustee of the GEF Trust Fund, for adoption by the World Bank Executive Directors.

Financial Issues for the GEF-4

17. Participants noted that all Contributing Participants to the GEF-4 should make their best efforts to deposit their Instruments of Commitment or Qualified Instruments of Commitment by November 30, 2006. The Trustee will periodically inform the Council of the status of Instruments of Commitment and Qualified Instruments of Commitment deposited with the Trustee.

18. Participants agreed that contributions made without qualification shall be paid in four equal installments by November 30, 2006, November 30, 2007, November 30, 2008 and November 30, 2009, provided that the GEF-4 becomes effective by October 31, 2006. Participants further agreed that Contributing Participants depositing Qualified Instruments of Commitment shall use their best efforts to unqualify sufficient amounts of their contributions to pay their installment amounts by these dates.

19. Participants agreed that payment may be made in cash upfront or by the deposit of non-negotiable, non-interest bearing demand notes or similar obligations to the account of the Trustee. Unless otherwise agreed with the Trustee, such notes, or similar obligations, will be encashed on an approximately pro rata basis among Contributing Participants. Encashments will be made in accordance with the indicative encashment schedule as set out in the replenishment document or as agreed with the Trustee.

20. The Advance Contribution Scheme for the GEF-4 will become effective on the date when the Trustee has received Instruments of Commitment or Qualified Instruments of Commitment from Contributing Participants whose contributions aggregate not less than SDR 309 million (20% of the pledged contributions). The GEF-4 will become effective on the date when the Trustee has received Instruments of Commitment or Qualified Instruments of Commitment from Contributing Participants whose contributions aggregate not less than SDR 927 million (60% of the pledged contributions).

Availability of Resources

21. At the outset of the replenishment process, most Participants expressed concern about the status of arrears by some Contributing Participants at the close of the GEF-3 commitment period. Most Participants requested the settlement of any financial arrears to the GEF Trust Fund during the GEF-4 commitment period.

22. Three means of deterring arrears should apply under the GEF-4:

(a) the pro rata provision, as set out in Paragraph 8(c) of the GEF-4 Replenishment Resolution;

(b) the continuation of the requirement, first introduced in the GEF-3 Replenishment Resolution, and set out in Paragraph 4(a) of the GEF-4 Replenishment Resolution, that if

a Contributing Participant does not make a scheduled payment to the GEF-4 or a Contributing Participant that has deposited a Qualified Instrument of Commitment is unable to unqualify a scheduled contribution to the GEF-4 then such Contributing Participant shall provide the Council with a written explanation from its Minister stating the reason for the arrears or delay and the steps being taken to resolve it; and

(c) confirmation of the provision in the Instrument that voting rights accrue only for the actual contributions paid to the GEF, which confirmation is set out in Paragraph 4(b) of the GEF-4 Replenishment Resolution.

Steps towards Concluding the Process of the Fourth GEF Replenishment

23. The Participants requested the CEO/Chairman of the GEF to forward this Summary, including the attached Annexes, to the GEF Council for consideration at its special meeting in August 2006. The GEF Council is invited to take note of the Summary and to endorse the Replenishment Document and its Annexes.

24. The Participants also invited the GEF Council to request the CEO/Chairperson of the GEF to transmit this Summary to the World Bank with a request that the World Bank Executive Directors be invited to adopt Annex C to this Summary, Resolution No. [_____], *Global Environment Facility Trust Fund: Fourth Replenishment of Resources*, thereby authorizing the World Bank, as Trustee of the GEF Trust Fund, to manage the resources made available under the GEF-4.

ANNEX A: POLICY RECOMMENDATIONS FOR THE FOURTH REPLENISHMENT OF THE GEF TRUST FUND

INTRODUCTION

1. Participants underscore the importance of the GEF as a multi-convention financing mechanism and as the leading multilateral funding mechanism dedicated to providing financing for global environmental benefits. Consistent with its mandate, the GEF plays an important role in supporting the environmental dimensions of the Millennium Development Goals adopted by all Member States of the United Nations in September 2000 and the Plan of Implementation of the World Summit on Sustainable Development adopted in Johannesburg in 2002.
2. Most recently, at the 2005 World Summit, Heads of State and Government, meeting in pursuit of their commitment to achieve sustainable development, “acknowledge[d] the invaluable role of the GEF in facilitating cooperation with developing countries.” The representatives also “look[ed] forward to a successful replenishment this year along with the successful conclusion of all outstanding commitments from the third replenishment.” (UN General Assembly Document A/60/L.1)
3. The GEF serves as the financial mechanism for the Convention on Biological Diversity, the UN Framework Convention on Climate Change, and the Stockholm Convention on Persistent Organic Pollutants. In this capacity, the GEF functions under the guidance of the Conventions. The GEF is also a financial mechanism of the UN Convention to Combat Desertification. In addition, it provides support for the Montreal Protocol on Substances that Deplete the Ozone Layer, for activities concerning chemicals management as they relate to the GEF focal areas, and for activities related to international waters.
4. Participants note that the GEF embodies a range of partnerships and builds upon the comparative strengths of its different partners. The GEF is first and foremost a partnership between developed and developing country participants to achieve global environmental benefits. As well it is a partnership among the GEF Secretariat, STAP, the GEF Evaluation Office, the three Implementing Agencies and the seven Executing Agencies with oversight by the GEF Council. Participants reaffirm the importance of close collaboration and communication among the Secretariat, GEF Evaluation Office, the Implementing and Executing Agencies, and STAP.
5. The GEF relies upon the comparative strengths of governments, NGOs, local communities, the private sector and other stakeholders working cooperatively to achieve results, and Participants agree that the continued evolution of the GEF should be built upon strong and transparent partnership with all stakeholders.
6. Over the past three and one half years, the GEF has begun implementing a major reform agenda, with an emphasis on results management, the creation of a Resource Allocation Framework, renewed engagement with the private sector, the addition of new agencies with direct access to GEF resources, and the creation of an independent and strengthened evaluation function.

7. In support of all the above, the fourth replenishment of the GEF is of critical importance. Participants reaffirm the importance of deepening and extending GEF-3 reforms and meeting the new challenges highlighted in the recommendations below.

I. PROGRAMMING DIRECTIONS IN GEF-4

Synergies among objectives of the global environmental conventions

8. Fundamental to the functioning of national, regional and global ecosystems is the interdependence of their components. Climate affects the land, the forests, the water, and the biodiversity they support, while the management of lands, forests and water can have feed back effects on climate. The global conventions which deal with each of these issues are increasingly recognizing the linkages among them and are looking for ways to work cooperatively at all levels for best results. So as to optimize benefits and mitigate risks across the focal areas, GEF projects, where feasible, should address, consistent with national priorities, the multiple objectives of the global environment conventions. The Secretariat should continue to work with STAP and the Implementing and Executing Agencies (hereinafter referred to as the “GEF agencies”) to improve performance of such projects, taking into account findings and recommendations of relevant reports of the GEF Evaluation Office.

Strengthening linkages between environment and development

9. Given the crucial link between global environmental protection, sustainable development, conflict prevention and human welfare, the GEF agencies should integrate global environmental challenges into their core development work and, as part of their country dialogues, into poverty reduction strategies and national sustainable development policies and programs. Participants request that GEF agencies report to the Council by 2007 on their mainstreaming efforts.

10. Participants reiterated the importance of sustainability in GEF projects. Sustainable global environmental benefits often depend critically on the benefits that local communities and indigenous people derive from projects which touch their lives and livelihoods. Where local benefits are an essential means to achieve and sustain global benefits, these should be more systematically addressed in all stages of the GEF project cycle, building on adequate social, environmental and institutional analysis, including gender analysis, with GEF continuing to finance the incremental costs of achieving global environmental benefits. GEF projects should be cost effective in the local context so as not to undermine poverty reduction efforts.

II. STRATEGIES AND POLICIES

Policy Development

Focal Area Strategies and Operational Programs

11. In order to improve GEF’s strategic direction and results focus, the Secretariat, in collaboration with the GEF agencies, should review and revise as necessary the six focal area

strategies for the Council's meeting in December 2006, taking into account cross-cutting issues of sustainable forest and sound chemicals management. These strategies should provide the basis for a simplified approach to the GEF's operational programs and strategic objectives which the Secretariat and GEF agencies should present to the Council in May/June 2007.

Private Sector

12. Participants recognize that the GEF Council is to continue its consideration of an enhanced private sector strategy at its meeting in June 2006 which should include, as a minimum: creating an enabling environment that will attract private sector funding leading to global environmental benefits; promoting more expansive communications with, and engagement of, the private sector; elaboration of clear operational guidelines to define the scope of GEF collaboration with private sector entities; consideration in GEF projects and programs of their implications for the private sector; development of clear policies on the use of guarantees and loans; and options for encouraging private sector associations to provide input at GEF Council meetings. The Council, Secretariat and the GEF agencies should implement the agreed strategy in GEF-4. The Secretariat and the GEF agencies should report to the Council every year on progress being made in working with the private sector.

Incremental Costs

13. Incremental cost analysis is integral to the purpose and operation of the GEF and one of the key mechanisms to ensure mainstreaming of global environmental benefits into the core development work of the GEF agencies. However, its calculation remains complicated in some focal areas. Therefore, the Secretariat and the GEF agencies should prepare for Council consideration at its meeting in May/June 2007, clearer operational guidelines for the application of the incremental cost principle in GEF operations for each focal area, without changing the definition in the GEF Instrument. The guidelines should take into account past experience and the planned review by the GEF Evaluation Office.

Institutional Reforms

Resource Allocation Framework

14. A major element of the GEF-3 replenishment reform agenda was the establishment of a framework for allocation to countries based on global environmental priorities country-level performance. As agreed by the Council, the Resource Allocation Framework will be initially implemented in GEF-4 for the biodiversity and climate change focal areas, and the Secretariat will work to develop a GEF-wide RAF based on global environmental priorities and country-level performance relevant to those priorities. There will be an independent mid-term review of the RAF to be considered by the Council in November/December 2008, at which time the Council will review the Secretariat's progress in developing indicators for the other focal areas. Taking into account (i) the findings of the mid-term review, (ii) the progress in developing indicators for other focal areas, and (iii) subsequent decisions by the Council on the GEF-wide RAF framework, the Secretariat will implement a GEF-wide RAF by 2010, if feasible.

15. In implementing the RAF, the GEF agencies should work in a highly collaborative and harmonized way with recipient countries, using existing mechanisms, with a view to enhancing the coherence of GEF country and regional activities.

Expanded Opportunities for Executing Agencies

16. As a result of the GEF-3 reforms, seven international agencies were granted direct access to GEF funds. Evidence to date indicates that there remains significant potential for enhancing the involvement of these agencies. The GEF Evaluation Office should prepare a review of the experience of Executing Agencies for Council consideration in December 2006. The Secretariat is requested to develop by December 2006, in consultation with the GEF agencies and taking into account the review, an action plan for strengthening the involvement of these agencies in GEF operations. The action plan should include measures to involve these agencies as partners in policy and project development and operational issues, consistent with their comparative advantage. Subsequently, Council may wish to assess the merit of further expanding the policy on “expanded opportunities”.

Managing for Results

Capacity Building

17. Participants recognize that capacity building is essential to results and improving performance at the country level. It is especially effective when it is a learning-by-doing component of a GEF project. The *Strategic Approach to Enhance Capacity Building* (GEF/C.22/8) calls for strengthening the capacity of recipient countries to improve environmental management and mainstream global environmental objectives into their poverty reduction strategies and national sustainable development plans. The Secretariat and Implementing Agencies should be especially mindful of the special capacity building needs of Least Developed Countries and Small Island Developing States and of the benefits of South-South collaboration and regional approaches to capacity building. The Secretariat should report to the Council by May/June 2008 on the implementation of the strategic approach and propose ways to further enhance the effectiveness and efficiency of GEF’s capacity building efforts, taking into account the forthcoming evaluation of capacity building activities.

Results Indicators

18. The GEF should continue efforts initiated in GEF-3 to focus on results. The Secretariat, GEF agencies, and the GEF Evaluation Office should develop, in consultation with recipient countries, a set of common quantitative and qualitative indicators and tracking tools for each focal area to be used consistently in all projects with a view to facilitating aggregation of results at the country and program level and assessment of GEF’s transformational impact. A complete results management framework should be brought forward for Council consideration by the end of 2006 which addresses quality at entry of project proposals, mid-term and end replenishment targets, and reporting on results of completed projects. Thereafter, reporting should occur every year in the GEF’s Annual Portfolio Performance Report.

Country indicators

19. The GEF Secretariat and the GEF Evaluation Office should monitor and report, on a pilot basis, trends in countries' "Global Benefits Index" in the Resource Allocation Framework drawing on the Country Portfolio Evaluations (and other relevant evaluations) that will take place in the coming years.

III. OPERATIONAL REFORMS

Project Cycle Streamlining

20. In order to expedite the provision of GEF resources for projects in recipient countries, the project cycle should be streamlined. The Secretariat and GEF agencies should propose to Council at its meeting in May/June 2007, taking into account the results of the project cycle evaluation under preparation of the GEF Evaluation Office, specific steps to streamline the project cycle without compromising project quality or undermining financial accountability.

Pipeline Management

21. GEF pipeline management, from inclusion of concepts in the pipeline, to Council and Agency approval, to implementation, needs to be improved. The Secretariat should propose to Council at its meeting in December 2006 clear rules, procedures and objective criteria for project selection and management of the pipeline, including a policy for cancellation of projects.

Fiduciary Responsibility

22. The use of GEF resources should be subject to the highest international fiduciary standards. The Trustee should prepare for Council decision, at its meeting in May/June 2007, policy proposals on strengthened accountability for Implementing and Executing Agencies eligible for implementing GEF assistance with due attention to issues of economy and efficiency. Such proposals from the Trustee should be developed in consultation with such agencies and should specify minimum fiduciary standards consistent with international best practice, including, for example: independent oversight, audit, evaluation and investigation functions; external financial audit; financial management and control frameworks; project appraisal standards, including environmental assessments and other safeguards measures, as appropriate; monitoring and project-at-risk systems; procurement; financial disclosure; hotline and whistleblower protection, and codes of ethics. The Trustee will also examine how such minimum fiduciary standards should be applied and monitored across all types of operations.

23. Each GEF agency would be expected to implement the fiduciary standards, or to have a monitorable program with a target date for implementation within one year of the Council approval of the fiduciary standards, failing which, no further funding will be approved for such agency until the fiduciary standards are implemented and the Council decides to resume the provision of funding.

Communications and Transparency

24. The GEF Secretariat and the GEF agencies should prepare for Council at its meeting in November/December 2007 a communications and outreach strategy to improve the quality of, and access to, information on the GEF and its results. GEF agencies should give increased prominence to GEF activities in their outreach and communications activities.

25. GEF policies provide for full transparency and disclosure of information. In order to improve public access to information, the Secretariat and GEF agencies should ensure that GEF databases are user-friendly and maintained to a high standard of quality. In particular, project information should be publicly available on the GEF website and kept up-to-date through the management information system. The Secretariat should periodically report to Council on the information that is publicly available and seek Council's views on the sufficiency of GEF's information disclosure.

26. The GEF should report and make available on a regional and country basis commitments and disbursements of GEF resources.

Lesson Learning and Dissemination

27. GEF's ability to generate global environmental benefits depends on the replication of project successes and the avoidance of repeat failures, which in turn depend on the effective use of lessons learned. Therefore, the Secretariat and GEF agencies should ensure that lessons learned are incorporated in projects during their development phase and that projects under implementation have adequate provision for lesson learning and dissemination, including indicators for these activities, which can be assessed through monitoring and evaluation. Lesson learning and dissemination performance should be included in reporting of outcomes of completed projects.

Budget Reform

28. The Corporate Budget presented for Council approval should be reformed to include all corporate administrative expenses. The Corporate Budget document should report on the corporate administrative expenses as well as projected project fees to GEF agencies.

Institutional effectiveness

29. After a decade of operations, the GEF has a significant project portfolio. It is timely, therefore, that the Secretariat give greater priority to monitoring and analysis of the focal area portfolios. The Secretariat should, on a regular basis, report to the Council conclusions regarding policy development emerging from such analysis. Participants also urged a continuing strong role for the Secretariat in project review to ensure compliance of project proposals with GEF policies and that adequate resources be devoted to this mandate.

IV. MONITORING AND EVALUATION

Quality of Monitoring and Evaluation Systems

30. The new GEF Monitoring and Evaluation Policy should guide the work of the GEF agencies to ensure the quality of monitoring and evaluation in their GEF portfolios and to promote mainstreaming of the new GEF M&E policy in the GEF agencies. This should include ensuring the involvement of their monitoring and evaluation systems and, where appropriate, quality assurance systems in the support for and oversight of minimum requirements across GEF-funded activities.

Compliance with GEF M&E Policy Minimum Monitoring and Evaluation Requirements

31. The Secretariat should ensure that the minimum monitoring and evaluation requirements are met before entry of project proposals in the work programs to be approved by Council. Any project not meeting such requirements may not be submitted to the Council. In supervising projects, the GEF agencies should ensure quality project level monitoring and evaluation by adhering to the minimum requirements.

Performance and Outcomes Matrix (Scorecard)

32. The GEF Evaluation Office should report to Council through the Annual Performance Report on the performance of the GEF agencies on project-at-risk systems and the degree of independence and strength of the agency's evaluation functions, as well as on adherence to the minimum requirements for monitoring and evaluation. Furthermore, the Annual Performance Report should contain other key performance measures, to be developed into a performance and outcomes matrix in line with international methods and standards. The goal should be to set realistic and international best practice targets for ratings and achieve satisfactory ratings in all categories by 2010. Consistent with international best practice, the target for satisfactory outcome ratings should be 75 %.

V. MID-TERM REVIEW OF POLICY RECOMMENDATIONS

33. The Secretariat is asked to prepare by November 2008 a mid-term review of progress in implementing the GEF-4 policy recommendations. The review should be presented in a format similar to Attachment 1 of this report: Action Plan for Implementing the GEF-4 Policy Recommendations.

ATTACHMENT: ACTION PLAN FOR IMPLEMENTING GEF-4 POLICY RECOMMENDATIONS

<i>Date</i>	<i>Action</i>
Council meeting in December 2006	<ul style="list-style-type: none"> • Council to review Secretariat proposals regarding the review and revision, as necessary, of the six focal areas strategies, taking into account the cross cutting issues of sustainable forest and sound chemicals management (paragraph 11) • Council to consider Office of Evaluation review of the experience of Executing Agencies (paragraph 16) • Council to decide on action plan for strengthening involvement of executing agencies in GEF operations (paragraph 16) • Council to decide on proposed results management framework (paragraph 18) • Council to decide on clear rules, procedures and objective criteria for project selection and management of the pipeline, including a policy for cancellation of projects (paragraph 21)
Council meeting in May/June 2007	<ul style="list-style-type: none"> • Council to decide on proposals for a simplified approach to operational programs and strategic objectives (paragraph 11) • Council to decide on proposals of Secretariat and agencies for clearer operational guidelines for the application of the incremental cost principle (paragraph 13) • Council to decide on proposed specific steps for project cycle streamlining (paragraph 20) • Council to decide on Trustee's proposed policy on strengthened accountability for Implementing and Executing Agencies (paragraph 22)
Council meeting in November/December 2007	<ul style="list-style-type: none"> • Council to review agencies' reports on efforts to mainstream global environmental challenges into core development work (paragraph 9) • Council to decide on proposed communications and outreach strategy (paragraph 24) • A performance and outcome matrix in line with international methods and standards will be included in the Annual Performance Report, and realistic and international best practice targets for ratings will be set. The goal is to achieve satisfactory ratings in all categories by 2010. Consistent with international best practices, the target for satisfactory outcome ratings should be 75% (paragraph 32)
Council meeting in May/June 2008	<ul style="list-style-type: none"> • Council to review report on implementation of <i>Strategic Approach to Enhance Capacity Building</i> (paragraph 17)
Council meeting in November/December 2008	<ul style="list-style-type: none"> • Council to consider independent mid-term review of the RAF and review progress in developing indicators (paragraph 14) • Secretariat to prepare midterm review of progress in implementing GEF-4 policy recommendations (paragraph 33)
Council meeting in May/June 2009	<ul style="list-style-type: none"> • Taking into account (i) the findings of the mid-term review, (ii) the progress in developing indicators for other focal areas, and (iii) subsequent decisions by the Council on the GEF-wide RAF framework, the Secretariat will implement a GEF-wide RAF by 2010, if feasible (paragraph 14)

**ANNEX B: PROGRAMMING DOCUMENT FOR THE FOURTH REPLENISHMENT
OF THE GEF TRUST FUND**

ACRONYMS

BAT/BEP	Best Available Technology / Best Environmental Practice
CBD	Convention on Biological Diversity
CC	Climate Change
CEIT	Countries with Economies In Transition
COP	Conference of the Parties
EA	Executing Agency
EE	Energy Efficiency
FA	Focal Area
FAO	UN Food and Agriculture Organization
GHGs	Greenhouse Gases
GPA	Global Program of Action for Land-Based Sources of Marine Pollution
ha	Hectare
HCFCs	Hydrochlorofluorocarbons
IA	Implementing Agency
IPCC	Intergovernmental Panel on Climate Change
IPCC TAR	Intergovernmental Panel on Climate Change Third Assessment Report
IW	International Waters
IWRM	Integrated Water Resource Management
LDC	Least-Developed Country
LME	Large Marine Ecosystem
MDGs	Millennium Development Goals
MEA	Millennium Ecosystem Assessment
MeBr	Methyl Bromide
MOU	Memorandum of Understanding
MSP	Medium-Sized Project
MW	Megawatts
NBSAPs	National Biodiversity Strategies and Action Plans
NCSA	National Capacity Self-Assessment
NGO	Non-Governmental Organization
NIP	National Implementation Plan
ODP	Ozone-Depleting Potential
ODP t	Ozone-Depleting Potential (in tons)
ODS	Ozone-Depleting Substance
OP	Operational Program
OPS	Overall Performance Study
PA	Protected Area
PCB	Polychlorinated Biphenyl
POP	Persistent Organic Pollutant
ppm	Parts per million
PTS	Persistent Toxic Substance
RAF	Resource Allocation Framework
RE	Renewable Energy
SGP	Small Grants Program

SIDS	Small Island Developing State
SLM	Sustainable Land Management
SP	Strategic Priority
SPA	Strategic Pilot on Adaptation
STAP	Scientific and Technical Advisory Panel
UNCCD	United Nations Convention to Combat Desertification
UNCED	United Nations Conference on Environment and Development
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
WSSD	World Summit on Sustainable Development

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 (UNCED) in 1992, the GEF was recognized as a source of funding for relevant activities under Agenda 21 that may contribute to achieving global environmental benefits. 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 on the fourth replenishment of the GEF began in June 2005.

4. This paper presents the framework for programming resources in the fourth replenishment period. It builds on the papers discussed at the replenishment meetings in October 2005 (Rome), November 2005 (Washington, and Tokyo), and June 2006 (Washington), by incorporating views expressed at the meetings and written comments from Participants. The paper is structured in three substantive sections. The first section elaborates on strategic concepts that will underlie all programming in GEF-4 to ensure that it is responsive to the mandate of the GEF while recognizing the evolving perspectives of the international community with respect to the global environment and sustainable development. The second section provides an overview of programming proposals for the GEF focal areas. The third section of the paper addresses corporate initiatives to be undertaken by the Secretariat and GEF agencies in GEF-4 and describes GEF corporate relations with other key partners and stakeholders.

5. Participants agreed to the distribution of resources among focal areas set forth in this paper, and agreed that the paper is a useful foundation for activities to be developed in GEF-4. However, the paper was not endorsed as such by the Participants. It is recognized that further programming guidance will be provided by the Council during the course of the GEF-4 period.

SECTION I: PROGRAMMING DIRECTIONS

Evolution of the global conventions and the need for GEF to respond

6. 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. During the past decade, analysis and deliberations within the international community have led to evolving views about the 'how' of environmental management and about the need for a better integration of environment and development thinking. This has been reflected in the Millennium Development Goals,² the plan of implementation of the World Summit on Sustainable Development (WSSD), and the evolution of the four global environmental conventions for which the GEF serves as a financial mechanism. It is proposed that during GEF-4, the GEF more actively seek to reflect this evolution in its approaches and programming.

7. 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.

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 these resources, 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. 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, increasing awareness of the need to adapt to the adverse impacts of climate change has highlighted the challenge of making development efforts climate resilient and the benefits of ensuring the health of natural ecosystems as protection against such adverse impacts.

10. Underlying agreement on the Stockholm Convention is a shared awareness of the adverse effect persistent organic pollutants have on both human health 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

² As endorsed by Heads of State and Government in the U.N. General Assembly on September 8, 2000.

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.

11. 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.

12. 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.

13. 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 as recognized in the Millennium Development Goals and the plan of implementation of the WSSD.

14. It is imperative that the GEF 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.

SECTION II: PROGRAMMING FOR GEF-4

15. This section presents the framework for programming resources in the fourth replenishment period to cover GEF operations and activities. Resources committed to the GEF Trust Fund under its fourth replenishment will assist the implementation of the evolving work programs and goals of the global environmental conventions (for example, the 2010 targets of the Convention on Biological Diversity) and achievement of the Millennium Development Goals and the Plan of Implementation of the World Summit on Sustainable Development. GEF-4 resources will also facilitate cooperation with developing countries to achieve the objectives of other major international sustainable development initiatives such as the 2005 World Summit Outcome document, in particular its proposals on “Sustainable Development, managing and protecting our common environment.”

16. The Resource Allocation Framework will apply to GEF-4 programming in the biodiversity and climate change focal areas. The agencies and the recipient countries will need to adapt their project programming to the resources to be allocated in accordance with the RAF formula.

17. The allocations to focal areas are set out in Table 1.³ In proposing these allocations, the GEF Secretariat and the Implementing Agencies tried to balance the following criteria:

- (a) the need to maintain stability in the funding of existing focal areas;

³ The Parties to the Replenishment agreed to these focal area allocations at the June 2006 meeting.

- (b) the mandate of the GEF as expanded in 2002 and countries' expectations of increased resources being available to the new focal areas of land degradation and POPs to provide for evolution and growth in these focal areas; and
- (c) the gap that exists between expected demand and availability of resources.

18. Focal area shares are comparable to those under GEF-3 with some growth in land degradation and POPs, and reductions in international waters and ozone.

Table 1. Targeted Allocation to Focal Areas, Corporate Programs, and Corporate Budget⁴

(millions of USD equivalent)

GEF Focal Areas and Corporate Program	GEF-3		GEF-4	
	Allocations ⁵	Share of Resources Programmed	Targeted Allocations	Share of Resources to be Programmed
Biological diversity	960	33%	990	33%
Climate change	960	33%	990	33%
International waters	430	15%	355	12%
Land degradation	250	9%	300 ⁶	10%
Ozone layer depletion	50	1%	40	1%
Persistent organic pollutants	250	9%	300	10%
Corporate Programs ⁷	0	0%	15	1%
<i>Sub-total: Resources Programmed</i>	<i>2900</i>	<i>100%</i>	<i>2990</i>	<i>100%</i>
Corporate budget ⁸	100		120	
TOTAL	3000		3110	

Targets and Indicators under GEF-3 and GEF-4

19. The Secretariat and the Implementing Agencies have spent considerable time and resources developing methodologies, and generating and collating information to measure coverage and impact of GEF activities and to report on achievement of the performance measures included in the programming paper for GEF-3. Initial experience gained through these efforts was reported to Council in document GEF/C.24/3, *Reporting on Performance Targets to*

⁴ A separate allocation is not made for integrated ecosystem management (OP12) on the understanding that resources for integrated projects will be generated on a project-by-project basis from the focal areas in which global environmental benefits are to be achieved.

⁵ Summary of Negotiations on the Third Replenishment of the GEF Trust Fund, Table 2, Scenario 2 (GEF/A.2/7, September 19, 2002)

⁶ Recognizing land degradation is a cross-cutting activity, it is estimated that an additional \$250 million will be available to finance land degradation activities incorporated in projects financed under the biodiversity, climate change, and international waters focal areas.

⁷ The allocation is for "core" corporate programs (Support to National Focal Points, and Multi-stakeholder Participatory Dialogues). Other corporate programs, including the Small Grants Program, are to be funded from a share of the allocations of the other focal areas, including agreed RAF exclusions (see Section on "Corporate Programs").

⁸ The projection for the corporate budget is based on a 3 percent annual increase over the four year period. Annual corporate budgets are to be approved by the Council.

be Achieved by Fall 2004. A final report on the achievement of the GEF-3 programming targets will be presented to Council in December 2006.

20. Preparing the report for 2004 provided some important lessons with regard to the GEF-3 targets. It was found that some of the indicators, while seemingly appropriate at the macro-level, did not provide a useful assessment of outcomes resulting from GEF projects. It was also found that some of the targets did not provide the right incentives to achieve the strategic results for which the GEF was established.⁹ Therefore, the targets and indicators proposed in this programming document for GEF-4 have been revised from those used in GEF-3 to reflect improved knowledge gained from the experience in applying the GEF-3 targets.

21. The Secretariat will continue to improve both the means to measure achievement and impact at the portfolio level and the indicators themselves during GEF-4, while maintaining as much continuity as possible from the GEF-3 targets. A table illustrating the evolution between GEF-3 and GEF-4 targets is presented as an Attachment.

22. For the biodiversity focal area, GEF-3 adopted standardized “tracking tools” and a systematic process to allow for portfolio level monitoring of progress against the coverage and impact indicators for the first two strategic priorities. These tracking tools were developed through a consultative process that included the GEF Secretariat, the Implementing and Executing Agencies, STAP and the Evaluation Office together with external monitoring and evaluation experts who had experience in developing program and portfolio monitoring mechanisms. They have been expanded and now form the basis for the development and tracking of GEF-4 targets. The principal coverage indicators for protected areas and the productive landscape (hectares) remain the same, but additional indicators have been developed to measure quality of protection as well as management effectiveness.

23. For the climate change focal area, GEF-3 adopted a programmatic indicator of tons of CO_{2eq} avoided through mitigation projects. Although this measure is a familiar one in climate change discussions, it provides little programmatic content or coverage information. As documented by the GEF Evaluation Office, “the estimation of carbon impacts may thus be more important at the level of individual projects than at the level of measuring climate change program performance.”¹⁰ For the sake of continuity and as a formal discipline for climate change projects, tons of CO₂ avoided will continue to be measured for GEF-4. The mitigation target for GEF-4 is set at 400 million tons of CO₂.¹¹ However, given the uncertainties imposed on GEF programming by the emergence of carbon finance, the limited demand for projects under the window for short-term response measures, and the inclusion of the new strategic objective on retrofitting existing power plants, the target range for GEF-4 is expected to be wide: between 250 and 500 million tons of CO_{2eq}. However, a new indicator of the coverage and breadth of the climate change portfolio has been developed and is proposed for use during GEF-4. This

⁹ For an example of this issue as it relates to the climate change focal area, see the discussion in paragraph 22 of this document.

¹⁰ David Nichols; Eric Martinot; Keith Kozloff; and Edward Vine, “Measuring Results from Climate Change Programs: Performance Indicators for GEF” Monitoring and Evaluation Working Paper 4, September 2000. Washington DC: Global Environment Facility, p2.

¹¹ This would give a cumulative mitigation target of 1200-1600 million tons of CO_{2eq} avoided from GEF-facilitated investments through the end of GEF-4.

indicator is entitled a “market transformation”, which can be defined as a successful activity designed to develop, expand and /or transform a specified market. Typically, a “market transformation” can be said to occur when a project focuses on a specific national market for a technology, such as on-grid wind energy, and succeeds in opening or transforming it. However, some projects will focus on more than one technology or market, and may count as more than one market transformation. For GEF-4, the target number of mitigation-related market transformations is set at one hundred and twenty-five. Under the adaptation pilot, an intervention will be interpreted as a project activity focusing on a specific sector in a particular country. An adaptation project focusing on water resources in the highlands and the coastal areas might be counted as constituting two interventions. For the resources available to the strategic priority for adaptation under GEF-4, eight interventions are targeted.

24. In international waters, the GEF is moving from the equivalent of enabling activities to on-the-ground implementation of joint action programs for transboundary water systems in which mutual agreement has been achieved among states on priority reforms and investments. Meanwhile, capacity building through enabling activities continues to be needed by many states that have been waiting for assistance from GEF to collaborate with neighbors on new waterbodies. While sufficient funding is not available for full scale implementation as recommended by OPS3, the strategic objectives reflect a transition to implementation that can be started in a modest fashion. A “tracking tool” is being developed to track implementation of on-the-ground measures and outcomes from capacity building based on the roll-up of project level indicators presented in *Monitoring and Evaluation Indicators for GEF International Waters Project*, Monitoring and Evaluation Working Paper 10, November 2002. These indicators will supplement the tracking of targets presented in the tables.

25. In the land degradation focal area, a working group of the Secretariat, Implementing and Executing Agencies, STAP and the Evaluation Office is currently working on an indicator framework for sustainable land management as part of a wider knowledge management system. All agencies have agreed on a two-level indicator framework that is a composite of existing models the agencies are using in their regular work. This framework will lead to the selection of consistent sets of indicators that provide scientifically sound, yet practical, ways to measure impacts and performance of GEF interventions in the land degradation focal area. These indicators will relate to the project and program level. Tracking tools will be developed once the indicator sets have been established. The Secretariat and agencies will have to manage two major information gaps identified in the Millennium Ecosystem Assessment: (i) information on the status and trends of land degradation, especially in drylands is extremely poor; and (ii) there is little replicable data on global forest extent that can be tracked over time. Regarding the assessment of the degradation of drylands, UNEP in close collaboration with FAO and other GEF agencies, recently has started the implementation of the Land Degradation Assessment in Drylands. Regarding forest-relevant data and assessments, close collaboration with UN Forum on Forests will be maintained. The indicators and targets for measuring portfolio level results in the focal area in GEF-4 will be developed by 2006 and will integrate the results of these assessments.

26. In the persistent organic pollutants focal area, the Secretariat, Implementing and Executing Agencies, STAP and the Evaluation Office are developing indicators to allow tracking

and reporting on results and impact at the portfolio level through aggregation of project level outcome indicators. This discussion has led to refining the GEF-4 indicators and targets based on the GEF-3 indicators. The indicators under further consideration encompass enabling environment indicators (e.g., regulatory framework in place, increased capacity for enforcement) and stress reduction indicators (e.g., number and unit cost of tons of PCB destroyed, amount and unit cost of avoided emissions of dioxins). Results expected from projects approved under GEF-4 will be tracked not only against the GEF-4 presented in Table 2 below, but also according to focal-area wide indicators under development.

27. All focal areas include a contribution to three corporate programs: the Small Grants Program, cross-cutting capacity building, and country programs for cross-cutting capacity building in LDCs and SIDS. Sustainability of impacts created by GEF focal area projects will only be as good as the broad institutional and policy environment in which they operate. Each of these programs will contribute to strengthening the institutional capacity in the country. This will require a well identified source of financing to ensure predictability and effective programming. As such, each focal area is recognized as making a contribution to the funding of the programs. While the targets and indicators for these programs included in this document are related to country participation and coverage in the program, expanded targets and indicators for results will be elaborated in the context of the results management framework to be prepared for Council consideration in December 2006.

28. In the GEF-4 policy recommendations it is agreed that the Secretariat, Implementing and Executing Agencies, and the GEF Evaluation Office should collaborate in developing performance indicators and tracking tools for all focal areas. A complete framework is to be submitted to the Council for consideration at its meeting in December 2006. This will include annual reporting to the Council on outcomes achieved by projects that complete implementation in the fiscal year.

Table 2. Overview of GEF-4: Focal Areas Strategic Objectives and Proposed Targets

Focal Area Portfolio Objectives	Strategic Objectives for Each Focal Area	Main Targets Under the Targeted Allocations
<p>Biodiversity</p> <p>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>	<ul style="list-style-type: none"> • Catalyzing sustainability of protected area systems at national levels • Mainstreaming biodiversity conservation in production landscapes and sectors • Capacity building for the Cartagena Protocol on biosafety • Generation and dissemination of good practices for addressing current and emerging issues in biodiversity 	<ul style="list-style-type: none"> • 80 million ha of PAs supported • 400 PAs supported • 75 million ha in production landscapes and seascapes • biosafety targets to be based on strategy to be approved by Council in 2006.
<p>Climate Change</p> <p>Develop, expand, and transform the markets for energy and mobility so that over the long term, they will be able to grow and operate efficiently toward a less carbon-intensive path</p>	<ul style="list-style-type: none"> • Promoting energy-efficient buildings and appliances • Promoting industrial energy efficiency • Promoting retrofitting of power plants • Promoting grid electricity from renewable sources • Promoting renewable energy for rural energy services • Supporting the development of new, low-GHG-emitting energy technologies • Facilitating sustainable mobility in urban areas • Piloting a strategic approach to adaptation 	<ul style="list-style-type: none"> • 1200-1600 m tons of CO_{2eq} avoided¹² • 125 market transformations from mitigation projects • 8 sector interventions under the adaptation pilot
<p>International Waters</p> <p>Contribute, primarily as a catalyst, to the implementation of a more</p>	<ul style="list-style-type: none"> • Catalyzing implementation of agreed reforms and stress reduction investments on-the-ground to address transboundary 	<ul style="list-style-type: none"> • 7 water bodies with results; 20 states

¹² This number represents an additional 400 million tons of CO₂ avoided beyond the 800-1200 million tons estimated to have been mitigated by GEF projects through the end of GEF-3. These estimates include lifetime avoided emissions from cumulative GEF-facilitated investments (includes some replication but not large market scale-up).

Focal Area Portfolio Objectives	Strategic Objectives for Each Focal Area	Main Targets Under the Targeted Allocations
comprehensive, ecosystem-based approach in managing international waters	<p>water concerns</p> <ul style="list-style-type: none"> • Expanding foundational capacity building to a limited number of new transboundary systems through integrated approaches and targeted learning for the IW portfolio • Undertaking innovative demonstrations addressing key program gaps (groundwater, IWRM, SIDS, persistent toxic substances (PTS)) in IW 	<ul style="list-style-type: none"> • 2 strategic partnerships funded to produce measurable pollution reductions. • 6 new water bodies; 30 states • 20 SIDS adopt water reforms/actions • 4-5 demo basins with actions addressing groundwater, IWRM, and PTS.
<p>Land Degradation (Desertification and Deforestation)¹³</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>	<ul style="list-style-type: none"> • Foster system-wide change and remove policy, institutional, technical, capacity and financial barriers to SLM • Demonstrate and up-scale successful SLM practices for the control and prevention of desertification and deforestation • Generate and disseminate knowledge addressing current and emerging issues in SLM • Demonstrate cross focal area synergies and integrated ecosystem approaches to watershed-based sustainable land management 	<ul style="list-style-type: none"> • At least 5 new countries with partnership programming frameworks for SLM that cross-sectorally align policies and programs in three main production sectors • At least 20 additional countries in which main barriers for SLM are removed • At least 25 community-based initiatives that apply innovative and best practices for SLM in demonstration areas. • At least 15 initiatives that have successfully up-scaled practices for SLM. • One knowledge management system (including indicator framework) • At least 5 watersheds that promote an integrated ecosystem approach to SLM in areas with high potential for multiple global environmental benefits • 11 million ha of land under SLM

¹³ While the term “sustainable land management” is used to encompass activities to address all sources of land degradation, the focal area strategy to be prepared for Council consideration in December 2006 will elaborate upon specific objectives for desertification and deforestation.

Focal Area Portfolio Objectives	Strategic Objectives for Each Focal Area	Main Targets Under the Targeted Allocations
		<p>as a direct benefit from FA initiatives (target to be defined)</p> <ul style="list-style-type: none"> • 100 million ha of land indirectly impacted by FA initiatives through barrier removal and/or establishment of country program framework for SLM (target to be defined)
<p>POPs</p> <p>Reduce and eliminate the releases of POPs in order to protect human health and the environment</p>	<ul style="list-style-type: none"> • NIP program and dissemination of best practices • Strengthening capacity for NIP implementation • Partnering in investments for NIP implementation • Partnering in demonstration of innovative technologies and practices for POPs reduction 	<ul style="list-style-type: none"> • 50 countries receive support to update their NIP • 50 countries receive support to strengthen capacity for POPs management • 20 countries receive support for POPs reduction activities • 5 alternative technologies/sets of practices demonstrated
<p>ODS</p> <p>Contribute to measures that protect human health and the environment through preventing releases of ODS</p>	<ul style="list-style-type: none"> • Addressing HCFCs, residual use of MeBr, and institutional strengthening and other non-investment activities 	<ul style="list-style-type: none"> • 50-70 tons of HCFCs and 300 tons of MeBr, ODP adjusted

Programming in the GEF Focal Areas

29. Programming proposals for each of the focal areas are presented below. Following the recommendations of OPS3, these programming proposals reflect a concerted effort to improve the GEF's implementation of core principles including incremental cost, sustainability, replicability and catalytic impact, cost effectiveness and mainstreaming.

30. In the GEF-4 policy recommendations it is agreed that in order to improve GEF's strategic direction and results focus, the Secretariat, in collaboration with the GEF agencies, should review and revise as necessary the six focal area strategies for the Council's meeting in December 2006, taking into account the cross-cutting issues of sustainable forest, sound chemicals management, and capacity development for sustaining the project outcomes. The strategies and agreed revisions will guide further elaboration of GEF programming during GEF-4.

31. Targets for resource allocations are proposed for the strategic objectives of each focal area, although it should be recognized that these will be kept under review by the Council during GEF-4 in the context of the annual business plans. This will be particularly important in the focal areas of biodiversity and climate change to which the RAF will apply. As the RAF will strengthen the recipient country's ability to direct its country allocations to any of the strategic objectives in a focal area, it will be more challenging to adhere to allocations specified for strategic objectives. Therefore, the resource allocations and associated targets in these two focal areas are notional and drawn from past experience of the GEF.

1. BIODIVERSITY

32. 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.

33. 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).¹⁴

34. 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.

Convention Guidance

35. Being the financial mechanism of the Convention on Biological Diversity, the GEF biodiversity program follows the guidance of the CBD in setting its programming policies and priorities and maintains a formal communication mechanism between the GEF Council and the Conference of Parties. 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 cross-cutting 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.

¹⁴ 2004 IUCN Red List of Threatened Species: A Global Species Assessment. IUCN Species Survival Commission. 2004, Gland.

36. 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 poverty alleviation. It contains four strategic goals and objectives.¹⁵ 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.

¹⁵ 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.

Table 3. Expected Outcomes and Targets for GEF-4 Strategic Objectives: Biodiversity

Strategic Objective	Primary Outcome	Programming Target US\$ 990 million
I. Catalyzing Sustainability of Protected Area Systems at National Levels ¹⁶	Biodiversity conserved and sustainably used through the expansion, consolidation, and rationalization of national PA systems.	<p>US\$ 450 million Targets and Indicators¹⁷</p> <p>At least 40 countries receive support for strengthening PA systems to ensure their long-term sustainability.</p> <p>At least 80 million ha of PAs supported.¹⁸</p> <p>At least 400 PAs supported of which at least 20 % (80 PAs) should be marine or freshwater 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>75% of PA systems demonstrate improved management effectiveness against baseline scenarios by mid-term and end of project.</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>
II. Mainstreaming Biodiversity Conservation in Production Landscapes and Sectors	Conservation and sustainable use of biodiversity integrated into production systems and sectors, development models, policies and programs.	<p>US\$ 300 million Targets and Indicators</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>Landscapes and Sites At least 75 million ha in production landscapes and seascapes that contribute to biodiversity conservation or the sustainable use of its components.</p> <p>Public Sector Enabling 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>

¹⁶ 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.

¹⁷ 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.

¹⁸ 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.

Strategic Objective	Primary Outcome	Programming Target US\$ 990 million
		<p>Implementing and Executing Agencies 50% of projects mainstream biodiversity into IA/EA development assistance, lending programs or other technical assistance programs.</p> <p>Private Sector 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>Individuals Number of individuals that demonstrate improved livelihoods based on sustainable use and harvest against the baseline scenarios.</p>
III. Capacity Building for the Cartagena Protocol on Biosafety	Enhanced management capacity developed for the implementation of the Cartagena Protocol on Biosafety.	<p>US\$ 90 million 80 countries receive support for capacity building to implement their national biosafety frameworks</p> <p>Targets and Indicators</p> <p>To be developed as part of biosafety strategy</p>
IV. Generation, Dissemination and Uptake of Good Practices for Addressing Current and Emerging Issues in Biodiversity	Improved analysis, synthesis, dissemination and uptake 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>US\$ 100 million Targets and Indicators</p> <p>100% of countries requesting assistance in capacity building in ABS receive support</p> <p>Improved design and implementation of projects</p> <p>Increased impact of project interventions</p> <p>Increased innovation in project design and implementation</p>
V. Small Grants Program		US\$ 40 million
VI. Cross-cutting Capacity Building Program		US\$ 5 million
VII. LDCs/SIDS Country Programs		US\$ 4.5 million

2. CLIMATE CHANGE

37. In its Third Assessment Report, the Intergovernmental Panel on Climate Change (IPCC) states that human activities account for the increase in atmospheric concentrations of greenhouse gases (GHGs) 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.”¹⁹ 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.

38. The objective of the UN Framework Convention on Climate Change is the “stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.”²⁰ Stabilization of atmospheric CO₂ concentrations at 550 ppm would require total global CO₂ 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.”²¹

Guidance from UNFCCC

39. 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 the Parties (COP) describes the strategic dilemma between two possible pathways: a 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.”²²

40. Being the financial mechanism of the UNFCCC, the GEF climate change program follows the guidance provided by its Conference of Parties and maintains a formal communication system between the GEF Council and the COP. 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 reflected what has been reinforced in many subsequent COP decisions: high priority is

¹⁹ IPCC TAR Summary for Policymakers, 2001, p. 5

²⁰ Article 2, UNFCCC

²¹ IPCC, 2001, p. 4

²² Decision 12/CP.1

to be given to the funding of national communications. The 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.²³

41. 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 at COP 4,²⁴ and financing for Stage II activities is available as part of the financing for the second national communications. Subsequently, measures to facilitate adequate adaptation were given priority in a decision made at COP 7 which called 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.”²⁵ Unless the COP decides otherwise, it is expected that Stage III adaptation activities will be funded through the Special Climate Change Fund and the LDC Trust Fund.

42. In direct response to the COP 7 guidance, the GEF Council established the Strategic Priority “Piloting an Operational Approach to Adaptation” (SPA). An allocation for individual projects under this pilot of US\$ 50 million was made in the GEF business plan in November 2003. In financing adaptation activities, the GEF Council requested that SPA projects be “consistent with the principles of the Trust Fund, including criteria concerning incremental costs and global environmental benefits.”²⁶ As of May 2006, it is anticipated that between US\$ 20 and US\$ 30 million of this initial US\$ 50 million allocation to the pilot program will be committed to adaptation projects during GEF-3. The resources remaining from the initial US\$ 50 million commitment will be programmed during GEF-4 and will be drawn from the five percent of the total climate change resources that have been set aside for regional and global projects under the resource allocation framework. The experiences and projects under the SPA will then be evaluated prior to allocating more resources to adaptation from the GEF Trust Fund.

²³ 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 Evaluation Office.

²⁴ Decision 2/CP.4

²⁵ Decision 6/CP.7

²⁶ Joint Summary of the Chairs, GEF Council meeting, May 19-21, 2004, paragraph 26, pp 4

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

Strategic Objective	Outcome	Programming Target US\$ 990 million
<p>Overall objective for mitigation:</p> <p>Develop, expand, 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>		<p>Mitigation target: 1200-1600 m tons of CO_{2eq} avoided²⁷</p>
<p>I. Energy Efficiency</p> <p>Promoting energy-efficient buildings and appliances.</p> <p>Promoting industrial energy efficiency.</p> <p>Promoting retrofitting of power plants</p>	<p>Favorable conditions for market development in terms of: policy, finance, business models, information and technology</p>	<p>US\$ 365 million Target: 53 market transformations</p> <p>Programmatic Indicators:</p> <ol style="list-style-type: none"> 1) Steps toward creating policy environment (Buildings/Appliances). 2) Volume of EE investments (Industry) 3) MW retrofitted (Retrofitting) 4) Energy saved (all objectives)
<p>II. Renewable Energy</p> <p>Promoting grid electricity from renewable sources.</p> <p>Promoting renewable energy for rural energy services</p>	<p>Favorable conditions for market development in terms of: policy, finance, business models, information and technology</p>	<p>US\$ 365 million Target: 52 market transformations</p> <p>Programmatic Indicators:</p> <ol style="list-style-type: none"> 1) Steps toward creating target policy environment (on-grid) 2) Number of business/households served by RE (off-grid); and 3) KWh RE generated (both objectives)
<p>III. Low GHG-emitting Energy Technologies</p> <p>Supporting the deployment of new, low-GHG-emitting energy technologies.</p>	<p>Growth in market for new technologies</p>	<p>US\$ 50 million Target: 5 market transformations</p> <p>Programmatic Indicators:</p> <ol style="list-style-type: none"> 1) Growth in interest in new technologies; and 2) KWh generated by new technologies.
<p>IV. Sustainable Transport: Facilitating sustainable mobility in urban areas.</p>	<p>Market for mobility transformed</p>	<p>US\$ 130 million Target: 15 Market transformations</p> <p>Programmatic Indicators:</p> <ol style="list-style-type: none"> 1) Steps toward creating target policy environment; and 2) Annual person-trips per

²⁷ This number represents an additional 400 million tons of CO₂ avoided beyond the 800-1200 million tons estimated to have been mitigated by GEF projects through the end of GEF-3. These estimates include lifetime avoided emissions from cumulative GEF-facilitated investments (includes some replication but not large market scale-up).

Strategic Objective	Outcome	Programming Target US\$ 990 million
		sustainable transport mode.
V. Adaptation: Piloting a strategic approach to adaptation	Adaptive capacity increased and vulnerability to CC decreased in GEF focal areas	US\$ 30 million Target: 8 sector interventions Programmatic Indicators: Consistent with those of the focal area in which global benefits are to be secured.
VI. Small Grants Program		US\$ 40 million
VII. Cross-cutting Capacity Building		US\$ 5 million
VIII. LDCs/SIDS Country Programs		US\$ 4.5 million

3. INTERNATIONAL WATERS

43. Chapters 17 and 18 of Agenda 21 recognize that international collaboration is needed among states to reverse the decline of large, multicountry freshwater and marine systems and to resolve conflicting uses leading to depletion, degradation, and social unrest. It also recognizes that special efforts are needed to address 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 are key elements for encouraging countries with historic conflicts to collaborate towards increased peace, security and stability.

44. 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 new awareness stems from the realization that achieving many MDGs is contingent on balancing the multiple uses of water resources through integrated water resources management (IWRM) and that significant reforms are required nationally and regionally in water resources to make this happen. The international waters focal area has assisted dozens of countries to pilot practical approaches that can address these concerns through the IWRM processes at the transboundary and national basin scales. The GEF Operational Strategy adopted an ecosystem-based approach to management of transboundary freshwater and marine ecosystems. The approach has proven valuable in recent projects as the basis for demonstrating IWRM and its coastal equivalent – integrated coastal management. OPS3 noted that the focal area has achieved significant outcomes in making an important contribution to the MDGs and the WSSD Plan of Implementation. Many countries have completed enabling activities for their particular transboundary water systems, and the focal area is ready to move to an implementation phase during GEF-4 in scaling up full operations to address agreed priorities for globally critical transboundary water systems.

45. As noted in paragraph 24, GEF resources are not available to scale up to full implementation. Nonetheless, the focal area will start catalyzing on-the-ground implementation of agreed management programs, regional/national reforms, and stress reduction measures for transboundary water systems. It will focus on facilitating coherence among development

assistance organizations and countries desiring to move to implementing those measures through strategic partnership investment funds piloted in GEF-2 and GEF-3. A number of interventions will involve interaction with activities in the land degradation focal area in recognition of the synergies with sustainable land management practices. Among requests for demonstration activities, projects addressing groundwater, IWRM, and persistent toxic substances (PTS) will be priorities. PTS are chemicals that are long-lived, and the focal area has funded pilot projects for them beyond POPs since the mid 1990s. Two types of demonstration projects will be funded for reducing specific PTS that are not POPs: (a) reducing releases from particular sources, such as mercury from artisanal gold mining as well as (b) diagnosing and reducing releases of multiple compounds from multiple sources that pose risks to downstream water uses, including biodiversity. Expansion to more chemicals and projects is a central element of enhanced levels of GEF-4 funding as noted in the attached table.

Table 5. Expected Outcomes and Targets for GEF-4 by Strategic Objectives: International Waters

Strategic Objective	Primary Outcome	Programming Target US\$ 355 million
<p>I. Catalyze implementation of agreed reforms and on-the-ground stress reduction investments to address transboundary water concerns.</p>	<p>Measurable pollution reduction, water use efficiency improvements, restored/protected wetlands, sustainable fisheries, policy/legal/ institutional reforms enacted, and functioning transboundary institutions.</p>	<p>US\$ 180 million Targets & Indicators</p> <p>By 2010, GEF will have initiated 2 Strategic Partnerships (reducing pollution discharges to East Asia Large Marine Ecosystems (LMEs) and catalyzing sustainable marine fisheries in Africa LMEs) that are aimed at WSSD water-related targets.</p> <p>By 2010, GEF will have increased by 20% over GEF-3 the number of representative transboundary water bodies for which it catalyzed implementation of on-the-ground stress reduction measures and reforms in agreed management programs.</p>
<p>II. Expand foundational capacity building to a limited number of new transboundary systems through integrated approaches and foster replication through targeted learning for the IW portfolio.</p>	<p>Ministerial agreed strategic action programs for improved management of transboundary systems; functioning inter-ministry committees; replication of good practices resulting from targeted learning</p>	<p>US\$ 100 million Targets & Indicators</p> <p>By 2010, GEF will have increased by one-sixth the global coverage of representative water bodies (an additional 6) with country-driven, science-based joint management programs addressing transboundary aspects of WSSD targets and MDGs over GEF-3.</p>
<p>III. Undertake innovative demonstrations addressing key program gaps (groundwater, IWRM for balancing competing water uses, persistent toxic substances), with a focus on SIDS water supply protection and IWRM WSSD targets.</p>	<p>Innovative reforms and on-the-ground measures successfully implemented for balancing competing water uses, addressing sewage pollution, protecting SIDS groundwater supplies, and reducing persistent toxic substances</p>	<p>US\$ 60 million Targets & Indicators</p> <p>By 2010, 50% of all SIDS will have received GEF support and taken action on at least one transboundary priority concern included in OP 9 as a contribution toward IWRM and WSSD targets.</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 IWRM, groundwater protection, and demos for persistent toxic substances (PTS)</p>

Strategic Objective	Primary Outcome	Programming Target US\$ 355 million
IV. Small Grants Program		US\$ 10 million
V. Cross-cutting Capacity Building		US\$ 6 million
VI. LDCs/SIDS Country Program		US\$ 4 million

4. LAND DEGRADATION

46. 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 and to also assist in addressing growing international concerns on land based deforestation. This designation made sustainable land management a primary focus of GEF assistance to achieve global environmental benefits within the context of sustainable development.

47. 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, wood and energy have resulted in serious degradation or unsustainable use of most of the ecosystem services. The MEA draws attention to the fact that dry lands are among the regions of the world where ecosystem services are most threatened by human impacts. It also draws attention on the increased tension exerted on wood resources in all ecosystems. 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), deforestation and forest degradation, 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.

48. 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, as its mandate covers all the major land use systems (agriculture, rangeland, and forestry). 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. In this context, the focal area is promoting a landscape approach that fully incorporates and promotes the principles of the ecosystem approach.

49. In GEF-3, it was noted that resources in addition to those provided under the land degradation focal area would be programmed for land degradation activities related to the

activities of the other focal areas. Recognizing that land degradation is a cross-cutting activity, it was estimated that a further \$250 million would be available for land degradation activities linked to biodiversity, climate change and international waters. It has been estimated by the land degradation task force that as of September 2005, US \$ 185 million has been allocated through projects in other focal areas to land degradation activities, and based on past trends, it is expected that the GEF will be able to account for the entire US \$ 250 million target by the end of GEF-3. It is expected that at a minimum a similar level of cross-cutting land degradation activity will be generated in the other focal areas in GEF-4.

UN Convention to Combat Desertification (UNCCD)

50. GEF support for activities under the land degradation focal area will serve to assist recipient countries to meet the objectives of the UNCCD taking into consideration the policies, strategies and priorities agreed by the Conference of the Parties of the UNCCD. In so doing, consistent with the strategic priorities for the land degradation focal area, GEF financing will be targeted for capacity building and implementation of innovative and indigenous sustainable land management practices. In providing assistance for capacity building, the GEF will focus on assisting countries to implement national and regional programs, in particular national action programs and subregional and regional action programs called for in the UNCCD.

Table 6. Expected Outcomes, Targets and Indicators for GEF-4 by Strategic Objectives: Land Degradation

Strategic priority	Outcome	Programming Target US\$ 300 million
I. Foster system-wide change and remove policy, institutional, technical, capacity and financial barriers to SLM	Systemic changes, enhanced partnerships, and investment programs to sustain inter-sectoral support to SLM in three main production sectors (agriculture, forestry and grazing)	<p>US\$ 132 million</p> <p>Targets and Indicators</p> <p>Consolidation of 6 pilot country partnership programs started in GEF-3</p> <p>At least 5 new countries with partnership programming frameworks for SLM that cross-sectorally align policies and programs in three main production sectors</p> <p>At least 11 million ha of land directly impacted by the country program partnerships (target to be refined)</p> <p>At least 20 additional countries in which main barriers for SLM are removed, indirectly affecting at least 100million ha of land (target to be refined)</p>
II. Demonstration and up-scaling successful SLM practices for the control and prevention of desertification and deforestation	Successful and sustainable community-based agriculture, grazing and/or forestry in demonstration landscapes with mechanisms for up-scaling of best practices	<p>US\$ 60 million</p> <p>Targets and Indicators</p> <p>At least 20 community-based initiatives that apply innovative and best practices for sustainable land management in demonstration areas directly impacting at least 200,000 ha of land (target to be refined)</p> <p>At least 15 initiatives that have successfully up-scaled practices for SLM covering 1.5 million ha of agriculture, grazing and/or forest land and indirectly impacting 75million ha of land (target to be refined)</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>US\$ 60 million</p> <p>Targets and Indicators</p> <p>At least 5 new targeted research studies and innovative knowledge products that will fill knowledge gaps in the focal area</p> <p>At least 8 initiatives focusing on dissemination and addressing emerging issues in SLM</p>

Strategic priority	Outcome	Programming Target US\$ 300 million
		<p>One Knowledge Management System “Community of Practice for SLM”</p> <p>One indicator framework system with</p> <ul style="list-style-type: none"> - a core set of indicators for projects, and - one core set for measuring impact of the FA
<p>IV. Cross focal area synergies and integrated ecosystem approaches to watershed-based sustainable land management</p> <p>(Note: This SP will cut across all GEF Focal Areas. The incremental costs for projects under this strategic objective will be shared by the focal areas in which the global environmental benefits are claimed.)</p>	<p>Countries enabled to address trade-offs between sustainable livelihood and global environmental benefits and foster synergies between focal areas</p>	<p>US\$ 30 million</p> <p>Targets and Indicators</p> <p>At least 5 watersheds that promote an integrated ecosystem approach to SLM in areas with high potential for multiple global environmental benefits</p>
<p>V. Small Grants Program</p>		<p>US\$ 10 million</p>
<p>VI. Cross-cutting Capacity Building</p>		<p>US\$ 4 million</p>
<p>VII. LDCs/SIDS Country Programs</p>		<p>US\$ 4 million</p>

5. OZONE DEPLETING SUBSTANCES (ODS)

51. 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.

52. 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. Further efforts are required and underway to address other substances with comparatively large ozone depletion potential, in particular Methyl bromide (MeBr) and Hydrochlorofluorocarbons (HCFCs). 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 be relevant considerations.

The Montreal Protocol on Substances that Deplete the Ozone Layer

53. 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 (CEIT) 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.”

54. 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.” The Third Overall Performance Study further notes the “key role” that the GEF has played in extending the success of ODS phase-out to the CEITs.

Table 7. Expected Outcomes and Targets for GEF-4 by Strategic Objectives: Ozone

Strategic Objective	Outcome	Programming Target US\$ 40 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	Targets and Indicators: MeBr – 300 tons ODP eq. HCFCs – 50-70 tons ODP eq.

6. PERSISTENT ORGANIC POLLUTANTS (POPs)

55. 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. Their effects on humans and animals include disruption of the endocrine system, suppression of the immune system, reproductive dysfunction, and developmental abnormalities.

56. 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 exposure to POPs. Few developing countries, for example, have legislation addressing industrial chemicals, let alone PCBs. As a result, the limited local capacity leads to regional and ultimately global contamination of the environment by POPs, and damage to the health and well-being of human populations. The poor, in particular, are at greatest risk.

57. In response to the growing number of regional and global agreements and programs to improve chemicals management, UNEP is coordinating the implementation of the Strategic Approach to International Chemicals Management which was adopted at the International Conference on Chemicals Management in February 2006.

Guidance from the Stockholm Convention on POPs

58. 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.

59. 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.

60. The first meeting of the Conference of the Parties to the Stockholm Convention took place May 2 to 6, 2005, and developed guidance to the financial mechanism (Decision SC-1/9). The strategic objectives proposed for GEF-4 are fully consistent with the emphasis of the guidance on the National Implementation Plan (NIP) as the main driver for implementation activities, and on capacity building. The guidance will be further reflected in the finalized Operational Program on POPs and in the POPs strategy.

Table 8. Expected Outcomes and Targets for GEF-4 by Strategic Objectives: POPs

Strategic Objective	Outcome	Programming Target US\$ 300 million
I. NIP Program and dissemination of best practices	Eligible countries are meeting their reporting obligations under the Stockholm Convention, and lessons learnt and best practices are taken-up	US\$ 30 million Targets and Indicators 8 countries receive support for NIP development 50 countries receive support to update their NIPs Projects to consolidate and disseminate lessons learned are developed 80 countries submit their NIPs to the Stockholm Convention
II. Strengthening capacity for NIP implementation	Recipient countries have the capacity to implement POPs risk reduction measures	US\$ 100 million Targets and Indicators 50 countries receive support to strengthen capacity for POPs management
III. Partnering in investments for NIP implementation	Stress from POPs on human health and the environment is reduced	US\$ 122 million Targets and Indicators 20 countries receive support to either phase-out and destroy PCBs; phase out POPs pesticides; apply BAT/BEP; or destroy obsolete stocks of POPs pesticides
IV. Partnering in demonstration of innovative technologies and practices for POPs reduction	Effective alternative technologies and practices that avoid POPs releases are demonstrated	US\$ 30 million Targets and Indicators 5 alternative technologies/ sets of practices demonstrated
V. Small Grants Program		US\$ 10 million
VI. Cross-cutting Capacity Building		US\$ 4 million
VII. LDC/SIDS Country Program		US\$ 4 million

7. CORPORATE INITIATIVES AND ENHANCING RELATIONS WITH KEY STAKEHOLDERS

61. Corporate programs consists of two components:

- (a) a core component for which resources are to be allocated to finance two programs, Support to National Focal Points and the National Dialogue Initiative; and
- (b) a second component, “other corporate programs” which are financed by means of contributions from the focal areas. The programs financed this way are the Small Grants Program, cross-cutting capacity building, and the LDC/SIDS support program.

Core corporate programs

62. All corporate programs are designed to strengthen the capacity of the partners participating in the GEF to contribute to the achievement of its goals. Recipient countries are fundamental to the success of the GEF. National focal points within recipient countries play a key role in ensuring that GEF projects are country-driven and based on national priorities. Weak capacity and limited information and tools have limited the success of their efforts to promote global environmental issues at the national level and to facilitate the integration of global environmental issues into national sustainable development strategies.

63. The two core programs finance activities to strengthen the foundational capacity of the focal points necessary for them to fulfill the responsibilities expected of them. The programs, building upon the country dialogue of the Implementing and Executing 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 of global environmental activities. 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. The assistance will enable the focal points to make meaningful contributions to GEF activities at the country level as well as to the governance of the GEF’s global partnership.

Other corporate programs

64. The Small Grants Program provides GEF financing at the country level for small sized projects in all focal areas to enhance the capacity of civil society to contribute to global environmental management. A 2003 evaluation of the program found that “the overall long-term global benefits from SGP activities will be considerable, and are likely to exceed the global benefits generated by larger projects with financial resources comparable to or even exceeding the entire SGP budget.” Stakeholders at all levels and across multiple countries have voiced very strong support for the SGP, citing very high likelihood of sustainability due to their projects being more manageable and accessible and consistent with civil society’s capacity to absorb funds. The SGP will be financed by contributions from the focal areas as indicated in the table 9.

Table 9. Contributions to Small Grants Program from the Focal Areas**(USD millions)**

GEF Focal Areas and Corporate Program	Resources Contributed		
	From Focal Area Allocations	Additional estimated from country allocations of the RAF	Total
Biological diversity	40.0	45.0	85.0
Climate change	40.0	45.0	85.0
International waters	10.0	0.0	10.0
Land degradation	10.0	0.0	10.0
Ozone layer depletion	0.0	0.0	0.0
Persistent organic pollutants	10.0	0.0	10.0
TOTAL – Small Grants Program	110.0	90.0	200.0

65. As agreed in the *Strategic Approach to Enhance Capacity Building*, financing will be provided to countries, with an emphasis on LDCs and SIDS, to support a holistic approach to management of global environmental issues building upon the needs identified in the country's own assessment. Cross-cutting capacity building will seek to strengthen a country's ability to sustain global environmental benefits created through all focal area projects. Targeted financing for LDCs and SIDS is to be provided at the country level and managed through a multi-stakeholder decision making process to provide flexibility and agility to these countries to undertake small projects to remove barriers to good management of global environmental issues at the country level. Cross cutting capacity building activities will be financed by contributions from the focal areas as indicated in table 10.

Table 10. Contributions to Crosscutting Capacity Building, including LDCs/SIDS Country Programs, from the Focal Areas**(USD millions)**

GEF Focal Areas and Corporate Program	Resources Contributed		
	For Crosscutting Capacity Building	For LDC/SIDS program	Total
Biological diversity	5.0	4.5	9.5
Climate change	5.0	4.5	9.5
International waters	6.0	4.0	10.0
Land degradation	4.0	4.0	8.0
Ozone layer depletion	0.0	0.0	0.0
Persistent organic pollutants	4.0	4.0	8.0
TOTAL	24.0	21.0	45.0

Table 11. Expected Outcomes and Targets in GEF-4 by Strategic Objectives: Core Corporate Programs

Pathways	Primary Outcome	Programming Target
I. Support to National Focal Points and Council Members	Augmented capacity of GEF Focal points in recipient countries	US\$ 7 million Targets and Indicators Support to 120 National GEF Focal Points in recipient countries to strengthen coordination and enhance capacity of countries to develop and implement GEF projects.
II. 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	US\$ 8 million Targets and Indicators Up to 76 multi-stakeholder consultations benefiting 76 countries involving approximately 4500 participants

Table 12. Expected Outcomes and Targets in GEF-4 by Strategic Objectives: Corporate Programs financed through the focal areas

I. Small Grants Program	Increased capacity of civil society to contribute in global environmental management at the national level	US\$ 200 million Targets and Indicators Program spread over 100 countries, inclusion of two new focal areas (Land Degradation and Persistent Organic Pollutants).
II. 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)	US\$ 24 million Targets and Indicators Supporting priority needs in 60 developing countries that successfully complete NCSAs through MSPs costing up to \$500,000 on average per, country.
III. Country programs for cross cutting capacity building in LDCs and SIDS	Gaining essential capacity in majority of LDCs and SIDS to address and incorporate global environmental management into national sustainable development.	US\$ 21 million Targets and Indicators Address critical capacity bottlenecks identified in NCSAs in 50 LDCs and SIDS.

SECTION III: IMPROVING CORPORATE SERVICES OF THE GEF

66. For the GEF partnership to operate efficiently and cost effectively, it is essential that the GEF continuously improve its performance by reviewing the tools, processes and procedures which partners use to interact with each other and with interested stakeholders, including the global environmental conventions, developed and developing countries, NGOs, local communities, indigenous peoples and the private sector.

67. The GEF has evolved significantly since the Instrument was agreed in 1994. Two new focal areas and their associated conventions have been added to the original four. Seven executing agencies have been accorded direct access to GEF resources. The Council's agenda has expanded steadily as the work of the GEF has evolved to meet new challenges associated with managing the global environment. The Secretariat's responsibilities have increased with new functions assigned to it by the Council and growing requirements in terms of pipeline management, knowledge management, communication and coordination. An independent monitoring and evaluation office has been established with an expanding role. The demands on STAP have changed over time, and OPS3 has noted the need for STAP's role to evolve.

68. Responding to, and building upon, the policy recommendations emerging from the replenishment process, the decisions of the Council, and the experience of the GEF, the entities participating in the GEF will continuously strive to improve their effectiveness in contributing to the overall goals of the GEF.

69. The Council keeps under review the activities of the GEF, and through its decisions, guides the evolution of the corporate activities. The Council approves annually a corporate budget to finance these activities.

70. Some of the corporate management activities expected to be priorities during GEF-4 are:

- (a) implementation of the Resource Allocation Framework;
- (b) establishment of robust management information systems across the partners of the GEF;
- (c) development of a knowledge management system;
- (d) design and implementation of a corporate communications strategy; and
- (e) refocusing of the Scientific and Technical Advisory Panel.

Additional corporate activities are highlighted in the GEF-4 policy recommendations and will be agreed by the Council during GEF-4.

Enhancing relations with key stakeholders

Member Countries

71. Member governments, both donor and recipient countries, are the foundational partners of the GEF. The GEF recognizes the need for more robust communications to inform both donor and recipient countries about the GEF, its objectives, procedures, results, impacts and lessons learned. Communications should aim at providing better information to the donor countries to

inform their taxpayers and decision makers about the benefits to be derived from financing of the GEF as well as being more informative for recipient countries to understand how best to work with the GEF.

72. National focal points are responsible for ensuring that national priorities are addressed through GEF projects and the results are mainstreamed into poverty reduction plans and national sustainable development strategies. Country ownership of GEF activities will be further enhanced by organizing multi-stakeholder consultations and workshops to increase ownership by diverse stakeholders at the national level.

Conventions

73. OPS3 concludes that the GEF has been responsive to Convention guidance, but notes that more regular two-way communications between the GEF Secretariat and the Convention Secretariats should be further promoted to enable dialogue on priority setting and streamlining of strategies. The GEF Secretariat has established regular consultations with the secretariats of the Convention on Biological Diversity and the UN Framework Convention on Climate Change. With the approval of memoranda of understanding with the Stockholm Convention and the UN Convention to Combat Desertification, the Secretariat expects that regular consultations will also become a feature of GEF interaction with these conventions in GEF-4.

74. The MOUs with these conventions clearly provide for consultation on matters of policy and guidance. Such consultations have proven useful in building trust between the secretariats and in promoting a greater understanding of the conventions' and GEF's decisions, processes and cultures. It is clear, however, that it is outside the mandate and responsibilities of the secretariats to determine the guidance or priorities of the Conventions, which is decided upon by the Conference of the Parties. In this regard, countries that are both parties to a particular convention and a participant of the GEF are best placed to address consistency of the decisions of the various bodies. It is expected that through GEF efforts at the country level to promote consultations among the GEF focal points and the focal points of the conventions a greater understanding of national priorities and consistency in various international fora will be achieved. The secretariats of the GEF and Conventions may also usefully collaborate in proposing means and modalities to their respective governing bodies for promoting Convention guidance to the GEF that is focused and remains relevant. Efforts will also be made to encourage periodic meetings among all the Convention Secretariats and the GEF Secretariat to review actions to promote synergies between the conventions and matters of common interest to all conventions.

NGOs

75. The NGOs play a critical role in the GEF, from policy development to participating in on-the-ground operations. At the policy level, the GEF-NGO network continues to hold its consultations biannually and participates in the GEF Council. Efforts will be made in GEF-4 to collaborate with the NGO network to improve its effectiveness and outreach to the wider NGO community.

76. OPS3 notes that NGOs have difficulty understanding the GEF and Implementing Agency requirements, and lack access to information (e.g., related to proposal requirements, reasons for project rejections, procurement/administrative requirements). In addition, OPS3 notes that there is lack of participation in GEF project preparation and execution on the part of NGOs.

77. In GEF-4, efforts will be focused on providing better information channels for dissemination of information and using knowledge management tools especially designed to improve NGOs' knowledge of the GEF and its procedures. With improved information, country offices of the GEF agencies will be better able to respond fully and accurately to requests for information and guidance from NGOs at the country level.

Private Sector

78. While the GEF has worked with the private sector in the past, it has been largely on an ad hoc basis. There is a recognized need for a concerted approach to more fully involve the private sector in efforts to generate global environmental benefits. In GEF-3, the Council has been developing an enhanced private sector strategy. The Council, Secretariat and GEF agencies will implement the agreed strategy in GEF-4 to generate global environmental benefits in a sustainable and cost-effective manner through greater engagement with the private sector.

Cooperating and co-financing partners

79. As an incremental cost financier, the GEF must rely on other partners to achieve baseline activities underlying the achievement of global environment benefits. In this regard, the GEF is dependent upon the co-financing contributions of international agencies, bilateral agencies and recipient Governments. The bilateral agencies, for example, have contributed \$407.77 million of co-financing to date in GEF-3. In addition, participation of bilateral agencies in GEF projects has made a significant contribution to the transfer of technical assistance based on their knowledge of targeted recipient countries. Mainstreaming of environment into sustainable development planning receives a critical boost by involving bilateral agencies in countries where they manage significant aid programs. Based on reliable policies, the GEF will continue to make efforts to augment the contribution of bilateral partners and other co-financiers during GEF-4.

ATTACHMENT: A COMPARISON BETWEEN GEF-3 AND GEF-4 TARGETS²⁸

I. Biodiversity

Indicators	GEF-3	GEF-4
GEF Allocation (US\$millions)	960	990
Co-financing ²⁹	2-3	2-3
No. of Protected Areas under Improved Management	80-180	400
Estimated Area Covered (Million hectares)	100-200	80
No. of Countries (Protected Areas)	30-40	40
Improved Conservation of species, habitats, and ecosystems (area in million of hectares)	30-40	75
No. of countries with effective enforcement mechanisms against illegal logging. ³⁰	tbd	N.A.
Improved protection of genetic materials in globally significant agriculture (no. of countries)	10-15	N.A.
Mainstreaming biodiversity within production landscapes and sectors		
<ul style="list-style-type: none"> • number of projects in four productive sectors (forestry, fisheries, agriculture and tourism) targeted to mainstreaming biodiversity into the sectors 	N.A.	40
<ul style="list-style-type: none"> • number of projects supporting the incorporation of biodiversity aspects into sector policies and plans at national and subnational levels, legislation, implementation of regulations and its enforcement, and monitoring of enforcement 	N.A.	28
<ul style="list-style-type: none"> • Number of hectares in production landscape and seascapes to contribute to biodiversity conservation or the sustainable use of its components 	N.A.	75m

²⁸ GEF-3 targets from Scenario II in the GEF-3 Replenishment Document; Proposed GEF-4 targets from Scenario II of this document.

²⁹ Co-financing ration = co-financing/GEF allocation.

³⁰ Targets and indicators for illegal logging have been removed, since these are output indicators; equivalent impact indicators have been incorporated within Tracking Tool for Strategic Priority 2.

Indicators	GEF-3	GEF-4
<ul style="list-style-type: none"> Percentage of projects mainstreaming biodiversity into IA/EA development assistance, sector, lending programs or other technical assistance programs 	N.A.	50
Biosafety indicators	N.A.	Targets and Indicators To be developed as part of biosafety strategy
Generation, dissemination and uptake of good practice <ul style="list-style-type: none"> Percentage of countries requesting assistance in capacity building on Access and Benefit Sharing receiving support through the prioritization made by Countries under RAF 	N.A.	100

II. Climate Change

Indicators	GEF-3	GEF-4
GEF Allocation (US\$million)	960	990
Effectiveness		
Co-financing (ratio to GEF financing)	6-7	3-5 ³¹
Private Sector Co-financing (\$billion committed)	1.2-1.5	1.2-1.5
Market Expansion (replication influenced by GEF)	1-10	NA
Technology Diversity (cumulative number main applications)	18 (including 2 additional)	22 (including 4 additional)
Cost-effectiveness (\$/ton C avoided across portfolio)	<4	NA
Growth of Long-Term Markets		
Rural households ('000s to receive energy services from projects, cumulative)	1000-1200	NA
Efficient lamps (millions installed in projects, cumulative)	15	NA
Power generation (MW renewable energy, facilitated by GEF, cumulative)	5,000	NA
Annual investment (\$billion, renewable energy, developing countries)	3.0-5.0 by 2010	NA
Avoided CO ₂ emissions (million tons, GEF projects during period—lifetime emissions from facilitated investments)	800-1200	1200-1600 ³²
Market transformations/ sector interventions	NA	125 Mitigation 8 Adaptation

³¹ In GEF-3 the co-financing ratio for the climate change focal area included resources leveraged during project implementation. These are not included in the proposed GEF-4 target.

³² Lifetime avoided emissions from cumulative GEF-facilitated investments (includes some replication but not large market scale-up).

III. International Waters

Indicators	GEF-3	GEF-4
GEF Allocation (US\$million)	430	355
Co-financing ratio	NA	2
New basins with agreed joint management program adopted	3	6 30 states
Measurable pollution reduction; water, fisheries improvements from implementing agreed joint action programs	----	7 water bodies; 20 states; 2 Strategic partnerships funded
Water reforms adopted and measures implemented in SIDS as part of demos for IWRM/GPA	-----	20 different SIDS
Groundwater, PTS, IWRM demo projects produce measurable results	-----	4-5 demos
Half of all global LMEs in developing countries with management programs adopted toward WSSD targets		Cumulative 15 LMEs with joint action programs

IV. Land Degradation

Indicators	GEF-3	GEF-4
GEF Allocation (US\$ million)	250	300
Co-financing ratio	2.0	1.0 – 4.0
Land Area Protected from Degradation (million ha)	10 - 20	NA
Land area under SLM as a direct benefit from FA initiatives	NA	11 million ha
Land area indirectly impacted by FA initiatives through barrier removal and/or establishment of country program framework for SLM	NA	100 million ha
No. of Land Degradation Control Plans (countries)	50-65	NA
Number of Country Programming Frameworks for SLM	6	5
Number of countries in which barriers for SLM are removed	NA	20
Number of initiatives at community, sub-national and national levels that have successfully up-scaled best practices for SLM in agricultural, livestock and/or forest production	NA	20
Knowledge management system (including indicator framework)	NA	1
Number of watersheds addressed through initiatives that promote an integrated ecosystem approach to SLM in areas with high potential for multiple global environmental benefits	(Through OP 12)	At least 6

V. Ozone Layer Depletion

Indicator	GEF-3	GEF-4
GEF Allocation (US\$ million)	50	40
Methyl Bromide (ODP t)	206-454	300
HCFCs (ODP t)	45-363	50-70

VI. Persistent Organic Pollutants

Indicator	GEF-3	GEF-4
GEF Allocation (US\$ million)	250	300
Co-financing ratio	2	1.5
Number of National Implementation Plans (NIPs)	About 100 countries	NA
Number of countries receiving support for NIP development*	NA	8
Number of countries that receive support to update their NIPs	NA	50
Number of countries that submit their NIP to the Stockholm Convention	NA	80
Number of countries strengthening policies, legislation, and institutions	About 30-40 countries	NA
Number of countries that receive support to strengthen capacity for POPs management*	NA	50
Declines in POP Stockpiles	The targeted impact from the Africa Stockpiles Program alone would be the elimination of an estimated 50,000 tons of obsolete pesticides (30% to 40% of which are among the twelve POPs covered by the Convention). Impact from other programs has still to be quantified.	NA
Number of countries that receive support to either: phase-out and destroy PCBs; phase out POPs pesticides; apply BAT/BEP; or destroy obsolete stocks of pesticides	NA	20
Number of alternative technologies successfully introduced	5 technological packages (field tested for viability and cost-effectiveness) in each of the listed categories	NA
Number of alternative technologies/sets of practices demonstrated*	NA	5
Levels in various media, reductions in emissions and runoff, and declines in rates of use of scheduled substances (including obsolete POPs)	TDB	NA

* GEF-4 Target (revised wording) to replace GEF-3 target indicated immediately above

**ANNEX C: RESOLUTION NO. [____], GLOBAL ENVIRONMENT FACILITY TRUST FUND
FOURTH REPLENISHMENT OF RESOURCES**

WHEREAS:

(A) The participants contributing to the Global Environment Facility Trust Fund ("the GEF Trust Fund"), (jointly, "the Contributing Participants", each "a Contributing Participant") having considered the prospective financial requirements of the GEF Trust Fund, have concluded that additional resources should be made available to the GEF Trust Fund for new financing commitments for the period from July 1, 2006 to June 30, 2010 (the "Fourth Replenishment") and have agreed to ask their legislatures, where necessary, to authorize and approve the allocation of additional resources to the GEF Trust Fund in the amounts set out in Attachment 1 and according to the provisions set forth herein;

(B) The Council of the Global Environment Facility (the "GEF" or "Facility") (the "Council") having considered the Summary of The Negotiations on the Fourth Replenishment, including the policy recommendations made on the basis of the Third Overall Performance Study of the GEF, other reports emanating from the GEF monitoring and evaluation program during the prior replenishment period, and the views and proposals of the Participants, has requested the Executive Directors of the International Bank for Reconstruction and Development (the "World Bank") to authorize the World Bank as Trustee of the GEF Trust Fund to hold in trust and manage the resources made available for the Fourth Replenishment;

(C) It is desirable to administer any remaining funds from the third replenishment of the GEF Trust Fund authorized by the Instrument for the Establishment of the Restructured Global Environment Facility, as amended (the "Instrument"), and approved by Resolution No. 2002-0005 of the World Bank, adopted on December 19, 2002 (the "Third Replenishment"), as part of this Fourth Replenishment;

(D) The World Bank, as provided for in Paragraph 8 and Annex B of the Instrument (adopted on May 24, 1994, pursuant to Resolution No. 94-2 of the Executive Directors of the World Bank), is Trustee of the GEF Trust Fund and, in that capacity, will hold in trust and manage the resources made available for the Fourth Replenishment.

NOW THEREFORE the Executive Directors of the World Bank hereby note with approval the replenishment of the GEF Trust Fund in the amounts and on the basis set forth herein and authorize the World Bank as Trustee of the GEF Trust Fund (the "Trustee") to manage the resources made available for the Fourth Replenishment as follows:

Contributions

1. The Trustee is authorized to accept contributions to the GEF Trust Fund; (a) by way of grant from each Contributing Participant in the GEF Trust Fund in the amount specified for each Contributing Participant in Attachment 1; and (b) otherwise as provided herein.

Instruments of Commitment

2. (a) Contributing Participants to the Fourth Replenishment shall deposit with the Trustee an instrument of commitment substantially in the form set out in Attachment 2 ("Instrument of Commitment"), subject to sub-paragraph 2(b).

(b) When a Contributing Participant agrees to pay a part of its contribution without qualification and the remainder is subject to enactment by its legislature of the necessary appropriation legislation, it shall deposit a qualified instrument of commitment in a form acceptable to the Trustee ("Qualified Instrument of Commitment"); such Contributing Participant undertakes to exercise its best efforts to obtain legislative approval for the installment amounts of its contribution by the payment dates set out in sub-paragraph 3(a) below.

(c) At every Council meeting, the Trustee will inform the Council of the status of Instruments of Commitment and Qualified Instruments of Commitment deposited with the Trustee.

Payments

3. (a) Contributions to the GEF Trust Fund under sub-paragraph 1(a) that a Contributing Participant agrees to pay without qualification shall be paid to the Trustee in four equal installments by November 30, 2006, November 30, 2007, November 30, 2008 and November 30, 2009, provided that:

(i) The Trustee and a Contributing Participant may agree to earlier payment;

(ii) If the Fourth Replenishment shall not have become effective (as described in sub-paragraph 6(a) below) by October 31, 2006, payment of any installment which would otherwise have been due prior to the Effective Date (as defined in sub-paragraph 6(a) below) shall become due 30 days after the Effective Date;

(iii) Upon the written request of a Contributing Participant, the Trustee may agree to allow such Contributing Participant to postpone the payment of any installment, or part thereof, up to, but not beyond, June 30 of the calendar year following the year in which such installment is due. Payments made pursuant to any such agreement with the Trustee shall constitute timely payments; and

(iv) If any Contributing Participant shall deposit an Instrument of Commitment with the Trustee after the date on which any installment of the contribution is due, payment of any such installment(s) shall be made to the Trustee within 30 days after the date of deposit of such Instrument.

(b) Contributions to the GEF Trust Fund under sub-paragraph 1(a) that a Contributing Participant agrees to make pursuant to a Qualified Instrument of Commitment shall be paid to the Trustee as follows:

(i) If any Contributing Participant deposits a Qualified Instrument of Commitment with the Trustee after the date on which any installment of the

contribution would have been due under sub-paragraph 3(a) if the Contributing Participant had deposited an unqualified Instrument of Commitment, payment of any such installment(s), or part thereof, shall be made to the Trustee within 30 days after the date of deposit of such Instrument to the extent that such Instrument has been unqualified.

(ii) If any Contributing Participant that has deposited a Qualified Instrument of Commitment, thereafter notifies the Trustee that an installment, or part thereof, is unqualified after the date when such installment would have been due under sub-paragraph 3(a) if the Contributing Participant had deposited an unqualified Instrument of Commitment, payment of such installment, or part thereof, shall be made within 30 days of such notification.

(c) Payments under sub-paragraph 1(a) shall be made, at the option of each Contributing Participant, (i) in cash or (ii) through the deposit of notes or similar obligations (such as letters of credit) issued by the government of the Contributing Participant or the depository designated by the Contributing Participant, which shall be non-negotiable, non-interest bearing, and payable at their par value on demand to the account of the Trustee on the following terms:

(i) Subject to sub-paragraph 3(a)(iii), payment in cash may be made on terms agreed between the Contributing Participant and the Trustee that shall be no less favorable to the GEF Trust Fund than payment made through the deposit of notes or similar obligations pursuant to sub-paragraph 3(c)(ii).

(ii) The Trustee shall encash notes or similar obligations on an approximately pro rata basis among Contributing Participants, at reasonable intervals as needed for disbursement and transfers referred to in paragraph 8, as determined by the Trustee. An indicative encashment schedule is set out in Attachment 3. At the written request of a Contributing Participant experiencing exceptionally difficult budgetary circumstances, the Trustee may permit postponement of encashment for (i) up to two years in respect of a Contributing Participant that is also an eligible recipient under the GEF Trust Fund, and (ii) up to 45 days in respect of all other Contributing Participants.

(iii) At the request of a Contributing Participant, the Trustee may agree to encash notes or similar obligations on a basis other than a pro rata basis; provided that, subject to sub-paragraph 3(c)(iv), the schedule of encashment agreed for such notes or obligations shall be no less favorable to the GEF Trust Fund than the schedule that would apply according to the pro rata basis provided for under sub-paragraph 3(c)(ii).

(iv) If the sum total of a Contributing Participant's notes or similar obligations deposited with the Trustee is insufficient to meet the indicative encashment schedule referred to in sub-paragraph 3(c)(ii) (as such schedule may be amended from time to time), such Contributing Participant shall exercise its best efforts,

subject to its domestic budgetary and legislative practices and requirements, to meet a schedule of encashment for the notes or similar obligations it thereafter deposits with the Trustee that would be no less favorable to the GEF Trust Fund than the schedule that would otherwise have applied according to the pro rata basis provided for under sub-paragraph 3(c)(ii).

(d) Sub-paragraph 3(c) does not apply to, or affect, the schedule for the payment of installments set out in sub-paragraph 3(a) or, in the case of a Contributing Participant that has deposited a Qualified Instrument of Commitment, the obligations undertaken pursuant to sub-paragraph 2(b). Further, nothing in sub-paragraph 3(c) authorizes the Trustee to increase a Contributing Participant's contribution or to impose financial penalties for any reason.

(e) Contributions to the GEF Trust Fund under sub-paragraph 1(b) shall be paid in accordance with the terms on which such contributions are accepted by the Trustee.

(f) The Trustee shall make regular reports to the Council on the status of Contributing Participants' contributions.

Timely Availability of Resources

4. (a) If (i) a Contributing Participant does not make payment in accordance with sub-paragraph 3(a) or 3(b); or (ii) a Contributing Participant that has deposited a Qualified Instrument of Commitment, is unable, despite its best efforts undertaken in accordance with sub-paragraph 2(b), to obtain legislative approval to unqualify a sufficient amount of its contribution to meet the payment dates set out in sub-paragraph 3(a), and such delay continues for 30 days, the Trustee shall notify the Contributing Participant of the delay. In doing so, the Trustee shall request the Contributing Participant to make payment promptly, or, as appropriate, to exercise its best efforts to obtain legislative approval to unqualify sufficient funds to make payment promptly. The Trustee shall also remind the Contributing Participant of the obligations it will incur under the further requirements of this sub-paragraph if the delay persists. If payment has not been made 30 days before the date of the Council meeting following the date on which the delay was incurred, the responsible Minister of the Contributing Participant concerned shall provide the Chief Executive Officer/Chairperson of the Facility (the "CEO") with a written communication stating the reasons for the delay and the measures being taken to address it. The CEO shall forward any such communication to the Council, with a copy to the Trustee.

(b) As provided in sub-paragraph 25(c) of the Instrument, for the purpose of determining voting power in the event of a formal vote by the Council, a Contributing Participant's total contributions shall consist of the actual cumulative contributions made by a Contributing Participant to the GEF Trust Fund, including actual contributions made to the Fourth Replenishment, contributions made to the Global Environment Trust Fund (the "GET"), and the grant equivalent of co-financing and parallel financing made under the GEF pilot program, or agreed with the Trustee before the effective date of the GEF Trust Fund.

Currency of Denomination and Payment

5. (a) Contributing Participants shall denominate their contributions in Special Drawing Rights ("SDR"), or in a currency that is freely convertible, as determined by the Trustee, except that if a Contributing Participant's economy experienced a rate of inflation in excess of ten percent per annum on average in the period 2002 to 2004 as determined by the Trustee as of the date this Resolution is adopted, its contribution shall be denominated in SDR.

(b) Contributing Participants shall make payments in SDR, a currency used for the valuation of the SDR, or with the agreement of the Trustee, in another freely convertible currency. The Trustee may, in its discretion, freely exchange contributions received for any such currencies.

(c) Each Contributing Participant shall maintain, with respect to its currency paid to the Trustee and the currency of such Contributing Participant derived therefrom, the same convertibility as existed on the date on which this Resolution is adopted.

Effective Date

6. (a) The Fourth Replenishment shall become effective on the date when Contributing Participants whose contributions aggregate not less than SDR 927 million³³ shall have deposited with the Trustee Instruments of Commitment or Qualified Instruments of Commitment (the "Effective Date").

(b) The Trustee shall promptly notify all Contributing Participants when the Fourth Replenishment becomes effective.

(c) If the Fourth Replenishment does not become effective by March 31, 2007, the Trustee shall so inform the Contributing Participants and consult with them on possible steps to be taken to prevent any interruption of GEF financing. The Trustee, in collaboration with the CEO, will inform the Council of the results of such consultations, and seek the Council's guidance on the steps to be taken, including as may be necessary, the convening of a meeting of the Contributing Participants.

Advance Contributions

7. (a) In order to avoid an interruption in the GEF's ability to make financing commitments pending the effectiveness of the Fourth Replenishment, and if the Trustee shall have received Instruments of Commitment or Qualified Instruments of Commitment from Contributing Participants whose contributions aggregate not less than SDR 309 million³⁴, the Trustee may deem, prior to the Effective Date, one quarter of the total amount of each contribution for which an Instrument of Commitment or Qualified Instrument of Commitment has been deposited with the Trustee as an advance contribution, unless the Contributing Participant specifies otherwise in its Instrument of Commitment or Qualified Instrument of Commitment.

³³ Typically 60% of the total contributions of all Contributing Participants, as set out in Attachment 1

³⁴ Typically 20% of the total contributions of all Contributing Participants, as set out in Attachment 1

(b) The Trustee shall specify when advance contributions pursuant to sub-paragraph 7(a) above are to be paid to the Trustee.

(c) The terms and conditions applicable to contributions to the Fourth Replenishment shall apply also to advance contributions until the Effective Date, when such contributions shall be deemed to constitute payment towards the amount due from each Contributing Participant for its contribution.

Commitment or Transfer Authority

8. (a) Contributions shall become available for commitment by the Trustee, for disbursement or transfer as needed to cover the work program, the administrative budget of the GEF, and any other expenses approved by the Council under the Instrument, upon receipt of payment by the Trustee of the contributions set out in sub-paragraphs 1(a) and (b) except as provided in sub-paragraph 8(c) below.

(b) The Trustee shall promptly inform all Contributing Participants if a Contributing Participant that has deposited a Qualified Instrument of Commitment and whose contribution represents more than 20 percent of the total amount of the resources to be contributed pursuant to the Fourth Replenishment has not unqualified at least 50 percent of the total amount of its contribution by November 30, 2007, or 30 days after the Effective Date, whichever is later, and at least 75 percent of the total amount of its contribution by November 30, 2008, or 30 days after the Effective Date, whichever is later, and the total amount thereof by November 30, 2009, or 30 days after the Effective Date, whichever is later.

(c) Within 45 days of the dispatch of notice by the Trustee under sub-paragraph 8(b) above, each Contributing Participant receiving such notice may notify the Trustee in writing that (i) the commitment by the Trustee of the second, third or fourth installment, whichever is applicable, of such Contributing Participant's contribution shall be deferred while, and to the extent that, any part of the contribution referred to in sub-paragraph 8(b) remains qualified; or (ii) it wishes to extend the decision period for the right to defer commitment of its Contribution from 45 days to 120 days. The Trustee shall make no commitments in respect of the resources to which the notice pertains unless the right of the Contributing Participant is waived pursuant to sub-paragraph 8(d) below.

(d) The right of a Contributing Participant under sub-paragraph 8(c) above may be waived in writing, and it shall be deemed waived if the Trustee does not receive, within the 45-day period or 120-day period specified in sub-paragraph 8(c), as appropriate, a written notice informing the Trustee pursuant to such sub-paragraph that the Contributing Participant has decided to defer commitment of a portion of its contribution.

(e) The Trustee, in collaboration with the CEO, shall consult with the Contributing Participants and seek the Council's advice on possible steps to be taken where, in its judgment: (i) there is a substantial likelihood that the total amount of the contributions referred to in sub-paragraph 8(b) above shall not be committed to the Trustee without qualification by June 30, 2010, or (ii) as a result of Contributing Participants exercising their rights under sub-

paragraph 8(c), the Trustee is, or may shortly be, precluded from entering into new commitments for disbursement or transfer.

- (f) Commitment and transfer authority shall be increased by:
 - (i) The income earned on the investment of resources held in the GEF Trust Fund pending disbursement or transfer by the Trustee; and
 - (ii) Payments received by the Trustee as repayment, interest or charges on loans made by the GEF Trust Fund.

(g) The Trustee may enter into agreements to provide financing from the GEF Trust Fund, conditional on the commitment of such financing becoming effective and binding on the GEF Trust Fund when resources become available for commitment by the Trustee.

Administration of the Third Replenishment Fund

9. Funds, receipts, assets and liabilities held by the Trustee under the Third Replenishment, including the full carryover reflected in Attachment 1 hereto, will be administered under the Fourth Replenishment.

**ATTACHMENT 1: GLOBAL ENVIRONMENT FACILITY TRUST FUND
FOURTH REPLENISHMENT OF RESOURCES
TABLE OF CONTRIBUTIONS**

Contributing participants	CONTRIBUTIONS (in millions)						
	GEF-4 Shares and Basic Contributions a/		Supplemental Contributions	Adjustment Towards Full Funding	Total Contributions		
	(%)	SDR	SDR	SDR	SDR	Currency	Currency b/
1	2	3	4	5	6	7	8
Australia	1.46%	24.43	6.61	-	31.04	59.80	AUD
Austria	0.90%	15.06	7.26	-	22.32	24.38	EUR
Belgium	1.55%	25.94	12.83 c/	3.51	42.28	46.18	EUR
Canada	4.28%	71.62	17.57	-	89.20	158.94	CAD
China	-	4.00 d/	3.10 c/	-	7.10	9.51	USD
Czech Republic	-	4.00 d/	0.68 c/	-	4.68	142.89	CZK
Denmark	1.30%	21.75	11.68	1.32	34.75	310.00	DKK
Finland	1.00%	16.73	10.82 c/	0.94	28.50	31.12	EUR
France	6.81%	71.28 f/	57.42	-	128.70	188.71	USD
Germany	11.00%	115.05 f/	86.08 e/	-	201.14	295.00	USD
Greece	0.05%	0.84	4.41 c/	-	5.25	5.73	EUR
India	-	4.00 d/	2.72 c/	-	6.72	9.00	USD
Ireland	0.11%	1.84	3.41 c/	-	5.25	5.73	EUR
Italy	4.39%	73.46	-	-	73.46	87.91	EUR
Japan	17.63%	184.40 f/	23.56	-	207.96	33,687.97	JPY
Korea	0.23%	3.85	0.62 c/	-	4.47	6,142.97	KRW
Luxembourg	0.05%	0.84	3.16	-	4.00	4.79	EUR
Mexico	-	4.00 d/	-	-	4.00	63.38	MXN
Netherlands	3.30%	55.22	19.47	-	74.70	89.38	EUR
New Zealand	0.12%	2.01	1.99	-	4.00	8.40	NZD
Norway	1.44%	24.11	-	-	24.11	228.32	NOK
Pakistan	-	4.00 d/	-	-	4.00	350.01	PKR
Portugal	0.12%	2.01	2.78	-	4.79	5.73	EUR
Slovenia	0.03%	0.50	3.88 c/	-	4.38	1,146.20	SIT
South Africa	-	4.00 d/	-	-	4.00	38.27	ZAR
Spain	1.00%	16.73	1.37	-	18.11	21.67	EUR
Sweden	2.62%	43.84	24.70	7.66	76.20	850.00	SEK
Switzerland	2.26%	37.82	-	9.67	47.49	88.00 g/	CHF
Turkey	-	4.00 d/	-	-	4.00	4.00	SDR h/
United Kingdom	6.92%	115.80	56.08	-	171.88	140.00	GBP
United States	20.86%	218.18	-	-	218.18	320.00	USD

1	New Funding from Donors	89.43%	1,171.34	362.22	23.10	1,556.66
2	Projected Investment Income					250.91 i/
3	Projected Carryover of GEF Resources					325.67 j/
4	Total Projected Resources to Cover GEF-4 Work Program					2,133.23 k/

a/ The GEF-4 basic shares reflect those of the GEF-3 except for Switzerland, Spain, Norway and Slovenia.

b/ As agreed by the Contributing Participants at the June 9-10, 2005 GEF-4 replenishment meeting, the reference exchange rate to convert the SDR amount to the national currency will be the average daily exchange rate over the period from May 1, 2005 to October 31, 2005.

c/ Contributing Participants have the option of taking a discount or credit for acceleration of encashment and: (i) including such credit as part of their basic share; (ii) counting such credit as a supplemental contribution; (iii) including such credit as an adjustment to full funding or (iv) taking such discount against the national currency contribution. Austria, Belgium, China, Finland, Greece, India, Ireland, Korea, Czech Republic and Slovenia have opted to take the credit for accelerated encashment as a supplemental contribution. France has chosen to take a discount against their contribution.

d/ For those donors that do not have a basic share, this represents the agreed minimum contribution of SDR 4 million.

e/ Germany will provide this supplemental contribution of SDR 86.08 million under the terms of the GEF-4 replenishment resolution. This contribution will be made in order to strengthen the GEF's ability to meet funding objectives and policy commitments of the GEF-4 Agreement. Progress towards meeting these commitments will be assessed in the GEF-4 midterm reviews and taken into account by Germany.

f/ These contributions are calculated to reflect a replenishment share based on the contributions of several major donors.

g/ Consistent with past GEF replenishments, Switzerland pledges the full amount of its contribution; endorsement by Government is expected.

h/ As agreed by donors in the June 9-10, 2005 GEF-4 replenishment meeting, donor countries experiencing an average annual inflation rate in their economies exceeding 10% over the years 2002-2004 will denominate their GEF-4 contributions in the SDR.

i/ Investment income is projected using a \$2bn average cash balance and investment return of 4.6% per annum.

j/ This amount comprises arrears, deferred contributions, and paid-in but unallocated resources.

k/ This amount is equivalent to USD 3.13 billion using the agreed GEF-4 reference exchange rates.

**ATTACHMENT 2: GLOBAL ENVIRONMENT FACILITY TRUST FUND
FOURTH REPLENISHMENT OF RESOURCES**

INSTRUMENT OF COMMITMENT

Reference is made to Resolution No. [] of the Executive Directors of the International Bank for Reconstruction and Development (the "World Bank") entitled "Global Environment Facility Trust Fund: Fourth Replenishment of Resources," which was adopted on [] (the "Resolution").

The Government of _____ hereby notifies the World Bank as Trustee of the Global Environment Facility Trust Fund, pursuant to paragraph 2 of the Resolution, that it will make the contribution authorized for it in Attachment 1 of the Resolution, in accordance with the terms of the Resolution, in the amount of _____.

(Date)

(Name, Title and Office)

**ATTACHMENT 3: GLOBAL ENVIRONMENT FACILITY TRUST FUND
FOURTH REPLENISHMENT OF RESOURCES**

INDICATIVE ENCASHMENT SCHEDULE

Fiscal Year	Percentage of Total Pledge
2007	9.0
2008	12.0
2009	14.5
2010	14.5
2011	14.5
2012	14.0
2013	9.0
2014	7.0
2015	3.0
2016	2.5
Total	100.0