



GEF

Global Environment Facility

GEF/C.21/Inf.11

April 17, 2003

GEF Council
May 14-16, 2003

STRATEGIC BUSINESS PLANNING: DIRECTION AND TARGETS

Table of Contents

Introduction.....	1
ANNEX 1: Biodiversity.....	3
ANNEX 2: Climate Change.....	14
ANNEX 3: International Waters.....	25
ANNEX 4: Ozone	32
ANNEX 5: Persistent Organic Pollutants	34
ANNEX 6: Sustainable Land Management.....	37
ANNEX 7: Integrated Approach to Ecosystem Management	39
ANNEX 8: Small Grants Program.....	41

INTRODUCTION

1. This document, GEF/C.21/Inf.11, *Strategic Business Planning: Priorities and Targets*, is a supporting document for GEF/C.21/9, *GEF Business Plan FY04-06*. It provides details regarding the priorities, financial projections, and targets and indicators under the six focal areas¹ and themes/programs² of the GEF.

2. Strategic Business Planning. Strategic Business Planning is an approach that directs application of GEF resources in a manner that catalyzes actions towards maximizing global environmental impacts. There are two major imperatives that drive GEF's strategic business planning. First, as a learning-based institution, the GEF, even as it advances into its second decade, should look back, to take stock and factor in the rich implementation experience emerging from the portfolio. Second, in recent years, as demand for GEF support, due to a variety of reasons, began surpassing financial resources available with the GEF Trust Fund, there has been an increasing need to match demand for and supply of GEF resources, employing factors beyond simple eligibility criteria.³

3. Strategic Priorities. Strategic Priorities reflect the major themes or approaches under which resources would be programmed within each of the focal areas. These priorities, consistent with the Operational Programs, guidance from the Conventions, and country priorities in each focal area, reflect a sharpening of approach as follows:

- (a) Lessons from the portfolio. The Second Overall Performance Study, and other reports and studies from the GEF Monitoring and Evaluation Unit have provided a lot of insight regarding experience with project implementation and impacts at both the project and program level that needs to be reflected in the future portfolio. In addition, there is a rich body of experience with non-GEF supported efforts towards global sustainability. These lessons also provide guidance on how to target Convention guidance and national priorities more closely, and achieve results on the ground.
- (b) Sequencing of response to Convention priorities. The current practice ensures that GEF projects are consistent with Convention priorities by requiring projects to conform to the criteria of an Operational Program that reflects Convention guidance. GEF needs to progress to an approach where response to Convention guidance needs to be strategically sequenced while maintaining the flexibility to program resources to meet the evolving needs of the Conventions and to program for synergies across the various Conventions.

¹ Biodiversity, Climate Change, International Waters, Ozone, Persistent Organic Pollutants, and Sustainable Land Management.

² Integrated approach to ecosystem management, and Small Grants Program.

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

- (c) Responsiveness to national priorities. Targeting the highest national priorities more actively through review of national reports, assessments, strategies, plans, and dialogue, in addition to relying upon country focal point endorsement.
- (d) Incorporation of scientific and technical advice. Identifying the priority interventions, consistent with scientific knowledge, through the work of the Scientific and Technical Advisory Panel (STAP), to reduce global environmental risks.
- (e) Portfolio gaps. Identifying gaps in the GEF portfolio and niches for innovation that need to be explored.

These strategic priorities have been developed by the Focal Area Interagency Task Forces, comprised of staff from the Secretariat, the Implementation Agencies, and STAP members.

4. The strategic priorities, projected levels of financing, and targets⁴ for GEF-3 period for the different focal areas/themes are described in the self-contained Annexes:

- Annex 1: Biodiversity
- Annex 2: Climate Change
- Annex 3: International Waters
- Annex 4: Ozone
- Annex 5: Persistent Organic Pollutants
- Annex 6 : Sustainable Land Management
- Annex 7: Integrated Approach to Ecosystem Management
- Annex 8: Small Grants Program

⁴ While financial projections have been done only for the FY04-05 period, targets have been established for the GEF-3 period (FY03-06) based on some notional projections for FY06.

ANNEX 1: BIODIVERSITY DIRECTIONS AND TARGETS

Status of the Portfolio

1. During its first decade, the GEF focused its support for biodiversity through Operational Programs classified according to ecosystem types: Arid and Semi-Arid Zone Ecosystems (OP1); Coastal, Marine and Freshwater Ecosystems (OP2); Forest Ecosystems (OP3); and Mountain Ecosystems (OP4). As a response to guidance from the CBD's COP, two additional OPs were added later: Conservation and Sustainable Use of Biological Diversity Important to Agriculture (OP13), and Integrated Ecosystem Management (OP12).
2. Thematically, the GEF biodiversity portfolio has until now emphasized support for Protected Areas (PAs). The *Second Biodiversity Program Study* and the *Second Overall Performance Study (OPS2)* state that the majority of the biodiversity portfolio is focused on *in situ* conservation based on supporting existing or new PAs and to a lesser extent systemic capacity building, setting up sustainable financial instruments, education and awareness, and participatory management involving local stakeholders. Less funding has supported sustainable use, mainstreaming, and private sector initiatives.
3. Some of the key positive impacts of biodiversity projects financed by the GEF have been:¹
 - (a) Innovative financing: GEF has supported innovative mechanisms such as Conservation Trust Funds to finance long-term biodiversity conservation by creating a basic level of resource security which in many instances have become important building blocks within a diversified financing strategy for PA systems;
 - (b) Representation and coverage: GEF projects have covered many globally important and threatened sites and ecosystems, thus reflecting the CBD's early emphasis on *in situ* conservation;
 - (c) Capacity building: Biodiversity projects have been most successful at capacity building at the individual level, and to a lesser degree at the institutional level through the development and implementation of legislation and policy frameworks. Much of the capacity building has been devoted to conservation and sustainable use, both within PAs and in production landscapes;
 - (d) Stakeholder participation: In 50% of biodiversity projects stakeholder participation was rated as comprehensive to partial in planning and implementation phases;
 - (e) Cross cutting issues: 50% of GEF biodiversity projects substantially address related cross-cutting issues such as land degradation and 10% partially address them. Close synergies have been developed between biodiversity conservation

¹ Based on OPS-2 findings and M&E results

activities and those to prevent deforestation and desertification. The creation of OP12 has offered a niche for the further development of ecosystem approaches and has represented an enhancement in terms of combined global benefits from individual focal area projects;

- (f) Science and technology issues: 60 percent of projects have substantially addressed science and technology issues (80 percent in completed projects).

4. The lessons learned also point to weaknesses in the portfolio:

- (a) Addressing root causes of biodiversity loss: Narrowly focused individual site-specific projects have largely failed to address root causes such as economic and social policies and lack of political will within the development agenda. Project links to social and political aspects of sustainable development have been poorly developed and mainstreamed.
- (b) Sectoral linkage: Weak links to other sectors of the economy that influence project success. The portfolio is overly structured towards individual projects with a tendency for biodiversity to be stand alone, resulting in poor mainstreaming within other sectors.
- (c) Funding patterns: Funding patterns that are incompatible with the absorptive capacity of project areas or implementing or partner institutions and long term needs.
- (d) Project sustainability: Only about 10% of projects have substantially addressed sustainability. There is no system of post-completion assessments; therefore it is difficult to establish whether or not results and institutional gains continued after project completion.
- (e) Project design and objectives: There is a tendency for rigid project management design structures that do not allow for flexibility and innovation in project implementation. Unrealistic project objectives, including lack of time and funds to fully achieve objectives have reduced benefits.
- (f) Private sector: Failure to fully realize and disseminate innovative financing mechanisms and to strengthen private sector involvement in biodiversity.
- (g) Measuring results: Accurately and quantitatively measuring the impact of funding for biodiversity has proved to be difficult because the majority of the projects have not established a baseline against which results can be measured.

Overall Strategic Approach for the Focal Area in FY04-06 Period and Justification

5. Within the overarching guidance from the Convention on Biological Diversity, and building from the lessons learned summarized above from OPS2, the Second Review of the Effectiveness of the Financial Mechanism under the CBD, Project and Program level M&E, and Issue-Specific Monitoring and Evaluation Studies, the following key recommendations have been identified and form the basis for the emerging directions during FY03-06:

- (a) Place greater emphasis on sustainability of results and the potential for replication;
- (b) Move beyond the current projects-based emphasis where appropriate, to more strategic approaches that systematically targets country enabling environments to address biodiversity conservation over the long term;
- (c) Insert biodiversity within other sectors through mainstreaming it in the wider sustainable development context;
- (d) Engage with the private sector more effectively where appropriate;
- (e) Increase support for CBD objectives on sustainable use and benefit sharing;
- (f) Address stakeholder participation more systematically;
- (g) Continue to strengthen the IA's role as brokers in the development agenda within the context of country-driven Poverty Reduction Strategy Papers (PRSPs), Country Assistance Strategies (CASs) and other such tools;
- (h) Improve dissemination of tools, lessons learned and best practices among broader audiences.

6. Building on these recommendations, and over the business-planning period FY03 – 06, GEF funding in the biodiversity focal area will be driven by activities that focus on furthering the impact of the *catalytic role* of the GEF:

- (a) Promoting environmental, institutional, social and financial sustainability through cost-effective and innovative interventions;
- (b) Better placing individual projects within the context of strengthening country or regional natural resource policy frameworks, management programs and financing strategies;

- (c) Building on new and existing partnerships with countries, local and indigenous communities, government agencies², Implementing and Executing Agencies, NGOs and the private sector.

The proposed emerging directions directly respond to the guidance received from the Conference of the Parties to the CBD. They complement, but do not replace existing GEF policies, procedures and Operational Programs; rather, they emphasize areas where desirable outcomes will be actively sought and build upon existing eligibility requirements.

Strategic Priorities

7. Four major themes run across the above priorities and will receive significant attention: (a) capacity building; (b) participation of government agencies beyond “green” agencies in biodiversity projects to foster greater political and institutional participation; (c) enhancing and sustaining participation of local and indigenous communities and the private sector in GEF projects; and (d) enhancing the linkages with other focal areas of the GEF to maximize synergies that generate local and global environmental benefits. These themes have been clearly identified by the various GEF evaluations as key to facilitating sustainability in the biodiversity focal area for recipient countries. Priorities I and II presented below are expected to absorb the majority of available financial resources, and are reflected as such in the proposed allocations.

8. Allowing for operational flexibility, and dependent on demand and relevant absorptive capacities, country contexts, and in relation to agreed phasing of long-term programmatic support, the following five emerging directions for strategic emphasis are proposed:

I. Catalyzing Sustainability of Protected Areas

9. Protected Areas (PAs) remain the critical foundation of biodiversity conservation worldwide, and as such, they will continue to be supported as a major thrust of GEF-3. This priority encompasses the achievement of ecological, institutional, social, political and financial sustainability in the context of national-level PA systems.

10. Rationale. Until now, individual projects have focused on building capacity and management effectiveness within the context of individual PAs, with limited attention to the long-term capacity and policy maturity that underpins the sustainability of PA systems. Therefore, a shift is proposed towards a more comprehensive approach based on support for achieving sustainability of PA systems. This shift does not preclude support for individual PAs providing that: (i) individual support is justified within country contexts and demonstrate replication effects that contribute a progression towards the maturation of a national-level system of PAs³; (ii) contain globally important biodiversity that is critically at risk and in need of immediate attention; or (iii) demonstrate specific interventions such as public – private sector

² Beyond Ministries of Environment to engage with key ‘line agencies’ involved with regulation, policy setting and management of production sectors outside of Protected Areas.

³ For example where the PA system is so underdeveloped (e.g. in post-conflict situations) that individual PA projects represent the initial step to catalyze sustainability and conserve nationally and globally significant biodiversity.

and / or community – indigenous group partnerships which are context driven and cannot be immediately replicated without the project.

11. Objectives. The key objective of this priority is to conserve biodiversity through the expansion, consolidation, and rationalization of national PA systems. Its operational focus will be flexible and be based on a thorough understanding of key strengths and weaknesses at the system and national institutional levels, and on how any given individual intervention contributes towards long-term sustainability within a PA systems context. The following list illustrates, but do not constitute an exhaustive list of the types of operational activities that the GEF will consider:

- (a) Demonstration and Implementation of Innovative Financial Mechanisms: Promote the development and capitalization of conservation Trust Funds, systems of payments for environmental services, easements, debt-for-nature swaps and certification processes and other mechanisms; internalization of PA economic values within other government agencies (e.g. Ministries of Agriculture, Fisheries, Industry, Tourism, Finance, etc).
- (b) Capacity Building for long-term Sustainability: Support activities that further develop institutional, managerial and financial sustainability from both private and public sources –
 - (i) Systemic capacity building through legislation, policy and enabling activities to allow PA effectively at the system and / or individual level;
 - (ii) Institutional capacity building to improve all aspects of management;
 - (iii) Individual capacity building through targeted training to maximize skills for sustainability.
- (c) Catalyzing Community – Indigenous Initiatives: Promote the participation of local community and indigenous groups in the design, implementation, management and monitoring of projects to promote biodiversity conservation and sustainable use through established frameworks such as Biosphere Reserves, land-use zoning (e.g. for corridors) and community – indigenous communities conservation areas. GEF will also promote broad stakeholder participation and co-management between government and local communities for PAs where such management models are appropriate.
- (d) Remove Barriers to Facilitate Public – Private Partnerships: GEF will support policy reform and / or incentives to catalyze engagement of the private sector to attain improved financial sustainability of PAs. GEF will also assist the private sector in the development of innovative ventures that demonstrate commercial profit and biodiversity benefit within the context of PAs. However, GEF recognizes that achieving financial sustainability across PA systems is a long-term

proposition. Therefore, private sector involvement and innovative financial arrangements are likely to be location and context specific.

The implementation of this priority will primarily take place through Operational Programs 1 to 4 and OP 13.

II. Mainstreaming Biodiversity in Production Landscapes and Sectors

12. Rationale. There is an ever more pressing need to mainstream biodiversity conservation within production systems where biodiversity faces most critical threats. Evaluations have shown that GEF leverage in mainstreaming of biodiversity has been limited and that the emphasis should be on fostering broad based integration of biodiversity conservation within the broader development agenda through capacity building and demonstration. In this context, the role and comparative advantages of each Implementing Agencies and other partners is particularly relevant.

13. Objectives. The specific objective will be to integrate biodiversity conservation in agriculture, forestry, fisheries, tourism and other production systems and sectors to secure national and global environmental benefits. Given the broad character of mainstreaming, the operational emphasis will be flexible to allow for the development of tailored activities based on understanding of country context, biodiversity conservation problems, opportunities and demand. Consistent with the GEF's Operational Strategy, on-the ground activities will focus on areas of high global biodiversity unless clear and measurable replication can be shown to result in global biodiversity gains elsewhere through the transformation of markets and demand. The following illustrate, but do not constitute an exhaustive list of the types of activities that the GEF will consider:

- (a) Facilitate the mainstreaming of biodiversity within production systems: Support will be provided for the development of systemic and institutional capacities of government agencies and other stakeholders (e.g. enabling legislation to remove barriers, policy, institutional structures (e.g. reform or creation of new institutions) and management procedures, relevant knowledge, partnership building between agencies and local communities and private sector) that secure biodiversity conservation;
- (b) Developing market incentive measures: Support will be provided for innovative market incentive structures (e.g. demand and supply side interventions – certification of suppliers, purchasing agreements and codes of conduct) to catalyze market forces. In doing so GEF will seek to develop partnerships with private sector stakeholders, small and medium scale enterprises and others to catalyze the development of innovative processes and activities that improve market efficiency and ability to provide biodiversity and productive system gains.
- (c) Demonstration: Support will be provided for demonstration projects with high replication value.

14. The GEF recognizes that there are no uniform or quick solutions for mainstreaming within production systems. Therefore, projects will target country interventions based on absorptive capacities and broad-based country demand extending into line ministries and other sectors. In doing so, the GEF through its Implementing and Executing Agencies and other multilateral and bilateral stakeholders, will seek strong and sustained complementarities with their ongoing and planned programs and processes (e.g. PRSPs, CAS) in order to strategically maximize leverage of limited GEF funds. Although this direction presents higher challenges and risks, it also promises to generate sustainable impacts over the long term. Implementation of this direction will be achieved primarily through Operational Programs 1 to 4, and 13.

III. Capacity Building for the Implementation of the UN Convention on Biological Diversity Cartagena Protocol on Biosafety

15. Rationale. There is a recognition of the potential risks posed by modified living organisms and therefore biosafety constitutes a high priority for recipient countries. This priority also responds to the guidance from the CBD and it is consistent with the decisions of the Intergovernmental Committee for the Cartagena Protocol.

16. Objective. To build capacity for the implementation of the Cartagena Protocol on Biosafety.⁴

17. The following list illustrates, but does not constitute an exhaustive list of the types of operational activities the GEF will consider:

- (a) Developing systemic and institutional capacity building for biosafety: Provision of support to countries for the development and implementation of National Biosafety Frameworks including the Biosafety Clearing House and enabling activities including the development and training in risk assessment and management of modified living organisms with the participation of relevant government sectors such as agriculture, fisheries, forestry, industry, environment, education, manufacturing, trade and health as well as community and private sector stakeholders.

IV. Generation and Dissemination of Best Practices for Addressing Current and Emerging Biodiversity Issues

18. Rationale. GEF evaluations have shown that best practices need to be better developed and more effectively disseminated and adopted, both internally and externally, to produce further improvements in project design, implementation, and, most importantly, results on the ground. Furthermore, emerging biodiversity issues very often need to be addressed in the form of pilot projects before clear operational guidance and good practice is fully understood.

⁴ It is expected that the Cartagena Protocol on Biosafety will enter into force early during GEF-3. GEF has gained some preliminary experience in this new field through the implementation of pilot projects in 18 countries for the development of biosafety frameworks. Once the Protocol was finalized, this activity was extended to cover another 100 country's and is now under implementation through UNEP.

19. Objective. The key objective will be to improve the effectiveness of analysis, synthesis and dissemination of best practices, innovative approaches and new tools from projects and programs to improve the sustainability of GEF impacts in the biodiversity focal area. This objective will be cross-cutting and will address best practice in priorities I to III, with a distinct emphasis on directions I and II⁵ in accordance with importance and financial allocations, and within the context of guidance from the COP of the CBD.

20. The emphasis will be on ensuring that available state-of-the-art information is disseminated in a timely and effective manner such that uptake and application of best practice is optimized resulting in improved conservation practice. Regional synthesis will be encouraged when comparative lessons provide additional value-added or when economies of scale can be achieved. The following illustrate, but do not constitute an exhaustive list of the types of operational activities the GEF will consider:

- (a) Improve analysis, synthesis, and dissemination of best practice: provide support for gathering and dissemination of information on best practice among Implementing and Executing Agencies, country government agencies and other stakeholders such as NGO and communities, scientific institutions and the private sector.
- (b) Support for building scientific and technical cooperation: provide support for knowledge generation and north-south and south-south exchange of information through knowledge networks such as the CHM.
- (c) Support demonstration projects that generate synergies between biodiversity, climate change, land degradation and international waters and produce national and global environmental benefits. Two issues will be of particular interest: (i) vulnerability and adaptation to global change, and (ii) demonstration of ecosystem approaches.
- (d) Specific themes to be addressed will be country-driven where appropriate or identified by the GEF Secretariat, its Implementing Agencies, and STAP when necessary, and based on identified needs and CBD COP guidance. The specific operational modalities for this priority will be further clarified within the GEF Biodiversity Task Force.

⁵ For example, see UNEP (<http://www.unep.org/bpsp/ts.html>) thematic studies on integrating biodiversity into mainstream economic sectors. These documents were part of the GEF-funded UNDP-UNEP Biodiversity Planning Support Program.

PROGRAMMING FOR THE BIODIVERSITY FOCAL AREA FOR GEF 3¹

Emerging Strategic Directions	Projected Levels of Financing (US \$ millions)			Expected Impact	Targets (coverage) ²	Modality to track targets (coverage)	Performance indicators (impact)	Modality to track performance indicators (impact)
	FY03	FY04	FY05					
I. Catalyzing Sustainability of Protected Areas ³	80	90	90	Improved management effectiveness of national PA system, and individual PAs which receive direct support over the long-term.	<ul style="list-style-type: none"> • At least 15 countries receive support for strengthening PA systems to ensure their long-term sustainability • At least 400 PAs supported (through about 80 projects)⁴ – of which at least 20% should be new additions. • At least 70 million ha of PAs supported.⁵ • At least 30% of total resources dedicated to capacity building with special attention to indigenous and local communities (and LDCs/SIDs?) 	<ul style="list-style-type: none"> • Targets will be tracked at approval stage through the PIBF form (see Annex 1).⁷ • The cumulative totals for each target will be published half yearly. 	<ul style="list-style-type: none"> • X (Y %) countries show concrete improvements in management effectiveness of their PA systems against baseline scenarios by mid-term and end of project (in terms of policy reforms, legislation, capacity and increased budgets to PA agencies from a variety of sources). • X (Y %) PAs supported show improved management effectiveness against baseline scenarios. • X number of replication situations reported and verified. • Number of protected areas and total hectares under any “global priority lists” (coverage indicator). 	<ul style="list-style-type: none"> • The PIBF form will be updated at mid-term and at the end of project.⁴ • For effectiveness of national PA systems – a section will be added to the WB/WWF tracking tool for PAs (see below).⁸ • For effectiveness of individual PAs, the WB/WWF Alliance tracking tool for “Reporting Progress at Protected Area sites”. will be adapted and applied (Annex 2). • Use of other instruments: PIR, SMPRs and ex-post evaluations to explore the impact achieved against the expected outcome of this pillar.

¹ This M&E framework is work in progress.

² These targets build on the resource programming paper, and have been fine-tuned based on past estimates of funding. These are targets to be met at the approval stage, and address coverage aspects. They can most easily be expressed in number of hectares, countries, and projects.

³ Protected areas here is understood in the broad context, and not limited to formal national parks and legal entities. It will also include indigenous and private reserves whose objective is biodiversity conservation (see main text too).

⁴ 400 PAs is based on the estimate of US\$1million/PA (see footnote 2) – and the average of about 5PAs/project.

⁵ Average conservative estimate applied towards the targets: US\$6 /ha of PA; US\$1.00 million/PA; and 5PAs/project. These are based on the following sources:

(i) Source: GEF Biodiversity Program Indicators: An Analysis of Coverage, Oct. 2002 (in draft). GEF funded 894 Protected Areas covering 162 million hectares through 169 projects over a 10 year period with US\$960 million (FY91-01). This gives average GEF support of US\$5.93/ha, US\$1.07 million/PA; and c. 5.2 PAs/project.

(ii) Source: Program Status Report for Forest Operational Program, July 2001. GEF funded 670 Protected Areas covering 160 million hectares through 87 projects over a 10 year period with US\$538 million (FY91-01). This gives average GEF support of US\$3.36/ha, US\$ 0.80 million/PA; with c. 7.7 PAs/project.

⁶ 400 PAs is based on the estimate of US\$1million/PA (see footnote 2) – and the average of about 5PAs/project.

⁷ The PIBF form filled in at work program (or CEO endorsement). It will also be updated at mid term and end of project to provide baseline information to assess the indicators.

⁸ These indicators will draw from the ‘enabling category’ of GEF Biodiversity Program Indicators.

Emerging Strategic Directions	Projected Levels of Financing (US \$ millions)			Expected Impact	Targets (coverage) ¹	Modality to track targets (coverage)	Performance indicators (impact)	Modality to track performance indicators (impact)
	FY03	FY04	FY05					
II. Mainstreaming Biodiversity Conservation in Production Systems ⁹	52	73	82	<p>Produce biodiversity gains in production systems in recipient countries.</p> <p>Biodiversity mainstreamed into sector programs of the IAs.</p>	<ul style="list-style-type: none"> At least 5 projects in each production sector (forestry, fisheries, agriculture, and tourism) targeted to mainstreaming biodiversity into the sector. At least 20 million ha in production landscapes and seascapes that contribute to biodiversity conservation or the sustainable use of its components.¹⁰ At least 5 countries promote conservation and sustainable use of wild species and landraces, taking into consideration their real and potential contribution to food security. 	<ul style="list-style-type: none"> Targets will be tracked at approval stage through the PIBF form (see Annex 1). The cumulative totals for each target will be published half yearly. 	<ul style="list-style-type: none"> X (Y %) projects supported in each sector have incorporated biodiversity aspects into sector policies and plans at national and sub-national levels, adapted appropriate regulations and implement plans accordingly. X ha of production systems that contribute to biodiversity conservation or the sustainable use of its components against the baseline scenarios. X people (Y % of total beneficiaries) show improved livelihoods (especially local and indigenous communities) based on more sustainable harvesting. X number of replications (reported & verified through the project) applying incentive measures & instruments (e.g. trust funds, payments for environmental services, certification) within and beyond project boundaries. X% of projects mainstream biodiversity into IA loan and/or sector work. 	<ul style="list-style-type: none"> Specific information to be added to PIBF form for production environment.¹¹ For effectiveness of production environment in mainstreaming biodiversity considerations, the tracking tool "Reporting Progress at Protected Area sites" will be modified and applied (Annex 3).¹²

⁹ The actual impact of GEF projects through this pillar will be much higher due to the expected higher leverage through cofinancing of activities under it.

¹⁰ Between FY91-01, 105 projects (out of 239 regular projects) include interventions within the production environment as part of their objectives, activities and action. These projects cover about 44 million hectares through interventions in over 323 sites. Contrary to the information about protected areas, consistent and specific information on the production environment is scarcer within project documents. (Source: GEF Biodiversity Program Indicators: An Analysis of Coverage, Oct. 2002 (in draft)).

¹¹ These indicators will draw from the 'enabling and sustainable use category' of GEF Biodiversity Program Indicators.

¹² Propose that this be done through the Task Force/STAP.

Emerging Strategic Directions	Projected Levels of Financing (US\$ millions)			Expected Impact	Targets (coverage) ¹	Modality to track targets (coverage)	Performance indicators (impact)	Modality to track performance indicators (impact)
	FY03	FY04	FY05					
III. Capacity Building for the Cartagena Protocol on Biosafety	1	19	25	Sustained management capacity to address and mainstream biosafety issues in relevant (GEF supported) countries.	<ul style="list-style-type: none"> All (GEF eligible) Parties to the CBD that are signatories to the Protocol or have expressed the intention of becoming Parties to it, for a basic level of capacity building to prepare for entry into force of the Protocol. All (GEF eligible) Parties to the Protocol for more advanced capacity building for implementation of the Protocol. 	<ul style="list-style-type: none"> PMIS (the GEF database) Steering Committees with GEFSEC representation Similar organizational membership for all oversight of projects 	<ul style="list-style-type: none"> X countries have enacted domestic legislation/ regulations to give effect to provisions of the Protocol, X countries have institutional arrangements at the local level for the purpose. % of countries that have completed draft biosafety frameworks and started to implement biosafety frameworks. 	<ul style="list-style-type: none"> Initial review of legislative and institutional frameworks in recipient countries at start of implementation of projects.
IV. Generation and Dissemination of Best Practices for Addressing Current and Emerging Issues in Biodiversity	12	13	15	<ul style="list-style-type: none"> Improved knowledge and dissemination resulting in more appropriate projects/programs with visible impact; and pilot projects to investigate and demonstrate synergistic benefits between biodiversity and other focal areas. 	<ul style="list-style-type: none"> Improved compilation and dissemination of best practice on specific themes¹³. At least 3 demonstration projects between biodiversity and each focal area to test and demonstrate synergies (i.e. win-win situations through adaptation, mitigation, transboundary contamination, rehabilitation of rangelands etc.) 	<ul style="list-style-type: none"> GEF Secretariat Biodiversity Task Force 	<ul style="list-style-type: none"> Successful demonstrations with quantitative gains achieved from synergies (e.h. #ha of land with improved carbon sequestration potential, #PAs, etc.) 	<ul style="list-style-type: none"> PMIS (the GEF database) Project completion reports against their initial objectives
Total resources	145	195	212					

¹³ The themes for this will be primarily defined by GEF Secretariat, the IAs and STAP.

ANNEX 2: CLIMATE CHANGE DIRECTIONS AND TARGETS

Status of the Portfolio

1. The UN Framework Convention on Climate Change (UNFCCC) provides GEF with guidance on eligibility criteria, program priorities, and policies through decisions of the Conference of the Parties (COP). Basic guidance with respect to each of these topics was adopted by the first COP.¹ The GEF response to this guidance was contained in the *Operational Strategy* published in 1996. The *Strategy* outlined several basic principles including an initial emphasis on enabling activities, with the largest share of resources going to long-term mitigation measures, and a small share committed to short-term mitigation projects. This approach was approved by the first Conference of the Parties and provided the basis for three initial operational programs identified in the *Strategy*: removal of barriers to energy conservation and energy efficiency (OP 5); promotion of the adoption of renewable energy by removing barriers and reducing implementation costs (OP 6); and reduction of the long-term costs of low greenhouse gas-emitting energy technologies (OP 7), and subsequently an additional program related to transport (OP 11).

2. The COP has provided further guidance to the GEF several times while largely maintaining the categories established in its initial decisions. Guidance for the support of second national communications by non-Annex 1 parties was approved at COP 8 and will be implemented through revised operational guidelines now under preparation. The decision endorsing the basic approach to long-term greenhouse gas mitigation remains the primary guidance on this subject. However, several decisions have expanded this guidance with respect to the need for enhanced support of capacity building by the GEF and other donors (references); the importance of additional resources for technology transfer, including technology needs assessments (references); and the increased importance of financing for vulnerability assessments and identified adaptation measures (references). In addition to the resources available from the GEF Trust Fund, additional resources for some of these activities will be available through three new funds also managed by the GEF

3. Since 1991, the GEF has approved a total of 198 projects and 240 Enabling Activities under the Climate Change focal area.² GEF funding of US\$ 1,328.14 million for projects and US\$ 83.69 million for Enabling Activities has been provided. Out of the 198 projects, 40 are medium sized projects, and 158 are full-sized projects. The allocation to Operational Programs is as follows:

¹ Decisions 11/CP.1 and 12/CP.1 (1995).

² As of December 31, 2002

Table 1: Climate Change: GEF Allocation across Operational Programs

	GEF funding (in million US\$)	No. of projects
OP5	418.0	65
OP6	553.9	83
OP7	204.36	11
OP11	48.81	11
STRM	126.69	25
EA	83.69	240

NB: the numbers are slightly different from the above quoted total because of multi-OP projects

4. These GEF projects have been designed and implemented initially under guidance given to GEF during the pilot phase (1991-1994) and on the basis of the Operational Strategy and the OPs thereafter. The Operational Strategy determines that GEF will support a combination of long-term measures, enabling activities and short-term measures with the aim to enable countries to implement climate change response measures, to mitigate greenhouse gas emissions and to adapt to adverse effects of climate change. The Operational Programs further defined the long-term measures and emphasized two broad strategies: the removal of barriers for market development (OP5,6,11) and the reduction of manufacturing and implementation cost for highly promising climate-friendly technologies (OP7,11). Clearly, GEF has focused its resources on long-term activities (about 85% of funding and number of projects) but at the same time supported a large number of countries with Enabling Activities.

5. As stated in the *Operational Strategy*, meeting the objectives will require “a dynamic process that emphasizes learning by doing” such that lessons can be absorbed and programs modified. This process was the basis for the proposed strategic priorities. Over the last 6 years, GEF has tried and tested a range of project approaches and interventions, guided by the above mentioned strategies. Most of the projects aim to catalyze sustainable markets and enable the private sector to finance and diffuse technologies. They emphasize replicability, country needs and fit with a country’s sustainable development policy, and high leverage of GEF resources. The impact and lessons of the projects have been studied in depth through the Climate Change Program study and the various thematic and cluster reviews, which are continuously complemented by the annual Project Implementation Reviews and the recently introduced Secretariat-managed Project Reviews (SMPRs).

6. Strategic priorities for the Climate Change focal area have been under development since January 2002 through the inter-agency task force on climate change. The identification of strategic priorities for the focal area follows the agreed principle of building on existing foundations by selectively facilitating the replication of proven approaches, and by creating, opening and transforming markets for new technologies and demonstrated approaches. Over the years, GEF has conducted a range of studies and evaluations, discussed experience with IAs and EAs, and been part of international discussions on project strategies and approaches.

7. Emerging from these, six strategic priorities have been identified for focused attention during the programming period, with the understanding that there is need for flexibility in implementation and possible subsequent adaptation. They have either proven superior impact (S1-S3) or are expected to yield enhanced impact (S4-S6). The priorities in themselves are technologically neutral in the sense that the choice of technology, within the broad range of technologies defined in the Operational Programs, would be made in the context of individual projects as defined by countries and in response to market conditions.

8. The proposed climate change strategic priorities should be viewed in combination with several other GEF initiatives proposed or under development as responses to these evolving Convention priorities. These include the capacity building strategy to be developed by November 2003, the *Proposed Approach to Adaptation* (GEF/C.21/Inf.10), and *Preliminary Strategy on GEF's Engagement with the Private Sector* (GEF/C.21/Inf.9).

Programming for existing commitments, Enabling Activities

9. Based on the programming exercise that preceded GEF-3 replenishment negotiations, the projected level of financing for the CC focal area is US\$ 407 million during the FY04-05 period. Additional US\$ 45 million are provided for enabling activities to support reporting to the UNFCCC during the same period. This excludes the special Convention funds, i.e. the LDC Fund, the Special CC Fund and the Adaptation Fund, which have special endowments for specific purposes.

10. A number of countries are still applying for EA funding for First National Communications, others are awaiting Convention guidance for their 2nd National Communications. Funding for the 2nd National Communications will be provided in a manner similar to the provision of GEF support for the First National Communications.

11. Short Term Measures will continue to follow the minimum abatement cost principle. It is expected that the support of STRM by GEF will lose relevance with emerging carbon finance sources within and outside of the Kyoto Protocol. Over the FY04-05 period small and diminishing amounts, totaling US\$10 million, are programmed for STRM.

12. The Summary of the Third Replenishment (GEF/C20/4, Annex A) distinguished targeted and streamlined capacity building activities as a component of regular climate change projects. As such activities these activities will be spread more or less equally across the entire portfolio.

The Strategic Priorities

I. Transformation of markets for high-volume, commercial, low GHG products or processes (S1):

13. A recent GEF portfolio review (M&E Working Paper No.9, July 2002) found that existing GEF projects demonstrate a variety of successful approaches to market transformation, including energy-efficient product standards and codes, utility DSM programs, voluntary agreements with the private sector, competitively allocated and limited subsidies, and low-cost

loans and performance guarantees. The combination of such and other activities into a holistic approach to sustainable and significant market expansion on a national scale is the defining element of S1. It is expected that projects under S1 take measures to catalyze both demand and supply sides with relatively small resource input, resulting in significant and lasting market penetration or transformation.

14. Projected Level of Financing. Market transformation approaches that permanently shift the market equilibrium to a higher level of product or technology application lead to sustained GHG reductions at relatively low program costs. Implementing this strategic priority will contribute a major share of targeted GHG reduction for the CC focal area. Priority S1 is expected to be attractive to a large number of countries which would like to replicate GEF project experience. Market transformation projects typically do not require substantial capital spending but consist of capacity building, marketing and awareness raising, standards and labeling programs, dealer incentives, and manufacturer technology transfer and product design. US\$ 50 million is programmed during FY04-05 period.

II. Increased access to local sources of financing (S2):

15. A large number of existing projects under OP5 and 6 identify financial barriers as major market impediments and aim to remove these barriers by various means. Experience from the GEF portfolio suggests that in a large number of countries, the local financial market has sufficient size, capacity and liquidity to provide capital for investment in (near-) commercial energy efficient equipment, energy conservation or renewable energy technologies for modern energy services. However, consumers and investors have limited access to local financial institutions due to perceptions of risk at the lenders end, high transaction cost, lack of institutional infrastructure, or lack of awareness regarding technologies and their technical and financial performance. Supporting financial intermediaries like NGOs, microcredit lenders, savings groups, or Energy Service Companies, and providing risk-sharing instruments to financial players (i.e., credit risk guarantees and other contingent finance instruments) can be very cost-effective ways of addressing this barrier. Microcredit to rural households, commercial loan guarantees for energy-service companies, revolving funds, and local business finance have all been successfully demonstrated in completed GEF projects. With the focus on *local* financial markets and institutions, such projects have a higher likelihood of sustainability and replication. Alternatively, sustainable public sources of financing can be a lasting source of financing which needs to be tapped. Beneficiaries are usually small and medium enterprises, end-users like home owners, consumers and rural population, and local authorities (municipalities, village councils).

16. Projected Level of Financing. This priority S2 is as cost-effective as S1, and will contribute another major share of targeted GHG reduction for the climate change focal area. Support to financial intermediaries will focus on capacity building, start-up cost, outreach and marketing cost and other technical assistance. Risk-sharing instruments usually require a reliable financial commitment from the GEF, which may be returned to the GEF after project completion, but which is usually needed on a longer timeframe than conventional projects. US\$ 68 million is projected for this priority, over the FY04-05 period.

III. Power Sector Policy Frameworks Supportive of Renewable Energy and Energy Efficiency (S3).

17. This strategic priority responds to lessons learned from more than a decade of power sector restructuring across the world, in addition to emerging GEF project experience. Industrialized and developing countries are following comparable patterns of utility restructuring with the aim of commercializing electricity markets. However, there is a clear consensus that power sector reforms have neglected to address the specific needs and constraints of energy efficiency and renewable energy, leaving them behind. A STAP workshop on power sector reform and environment in 2000, the Climate Change Program Study (2001) and the GEF Portfolio Review of Grid-based Renewable Energy (2002) all concluded that the GEF can and should do much more to assist governments to incorporate clean energy into power sector policy frameworks. A handful of existing GEF projects have shown that GEF-support has proven capable of facilitating important regulatory frameworks supportive of grid-connected renewable energy and utility demand-side management programs. Without such frameworks, it is much less likely that GEF interventions for renewable energy and energy efficiency in the power sector will be sustainable or replicable—yet such interventions are key to large-scale greenhouse gas reductions in developing countries. It is expected that in many cases projects will simultaneously address both this priority and priority S2, as local financing also remains a key barrier to power sector investments.

18. Projected Level of Financing. Considering the widespread relevance of this priority S3 and the large existing qualified project pipeline, the allocation for this priority is the largest of all: US\$ 80 million during the FY04-05 period.

IV. Productive Uses of Renewable Energy (S4):

19. In rural areas, the existing GEF portfolio has focused almost exclusively on electricity for home lighting. There is a large potential for applications of renewable energy that provide income generation and other essential social services. By and large, the GEF has not addressed this potential, although such applications show great promise to increase sustainability and replication because they provide additional purchasing power and/or strong development benefits. These development co-benefits are being increasingly emphasized in international discussions of climate change mitigation, and productive uses are emerging as a key priority globally.

20. Examples of productive applications are water pumping for irrigation, cottage industry, agro-industry processing, kiln firing, lighting in health clinics and schools, drinking water pumping and purification, and telecommunication and computing centers. Applications in all categories are emerging, but proven models remain limited. The GEF portfolio has only a handful of productive-use projects, and needs to be greatly expanded in this area. In addition, new GEF projects will need to pilot new financing and delivery models for productive-use applications that are sustainable and can be replicated on large scales. This priority S4 stands out because of its direct poverty alleviation impact.

21. Projected Level of Financing. This strategic priority is of more exploratory nature, and projects will require a high degree of experimentation and learning. Supporting the strong need to expand the portfolio in this direction, US \$75 million is projected for this priority, increasing over the years of the business plan because of the required gestation time for new projects.

V. Global Market Aggregation and National Innovation for emerging Technologies (S5):

22. Operational Program No.7 supports the reduction of cost of emerging clean energy technologies in the long term. The number of projects supported to date has been small (16) and the achievements extremely limited. Support to large-scale biomass gasification technology has resulted in resolving many technology and system integration issues, and changing attitudes of key stakeholders about the potential of biomass power in Brazil. However, with the recent power crisis in the country incentives grew strongly for shareholders to consider such investments. This experience proves the close interdependence between technology-support activities and the political-institutional environment. Experience with the four high temperature solar-thermal power projects seems to support this conclusion, as most of the projects are delayed by issues of national power sector policy. The existing GEF portfolio points to another shortcoming of existing approaches: parallel technology development in industrialized countries, which was originally assumed to happen as GEF supports emerging technologies, has been rare and disconnected. Overall, initial conclusions from the portfolio suggest that more attention has to be given to active market aggregation across countries and across technology applications, and that GEF needs to exercise its facilitating and catalyzing role in building market development alliances more vigorously. More attention to future markets, policy and political issues, institutional circumstances, and the need to match global benefits, local benefits and project opportunity cost of the client country, rather than technology issues, will be the strategic direction for OP7 under this priority.

23. Projected Level of Financing. The resource requirements are limited with initially only small technical assistance packages expected, followed by some capital expenditure later. Overall programming amounts to US \$ 65 million with increasing amounts in FY04-05.

VI. Modal shifts in Urban transport and clean vehicle/fuel technologies (S6):

24. GEF's operational program on sustainable transport is a fairly new OP in comparison to other GEF climate OPs. The initial scope of the operational program was defined as "ground transport", addressing modal shifts, non-motorised transport, low GHG emission transport technologies and technologies for biofuel production. Even though this initial scope allows for a variety of measures to be funded, the first OP 11 projects to enter the work program were largely fuel cell and hybrid-electric bus projects which emphasized technology solutions over non-technology approaches. Since then, only a few non-technology project concepts have been proposed. A STAP workshop was convened in March 2002 in order to recommend a set of non-technology priority options that could be supported under the OP. It was concluded by STAP that priority funding of non-technology options would shift the emphasis of the OP 11 portfolio towards a more balanced mix of sustainable transport options. Consequently, while OP 11 will

continue to support a mix of technology and non-technology projects, priority will be given to public transit (such as bus rapid transit), non-motorized transport (such as bicycles and pedestrian areas), and non-technology measures (such as traffic demand management and economic incentives). Modal shift projects will emphasize a strategic long-term approach to urban mobility and include integrated land use planning and management activities that lead to cost-effective and sustainable transport systems.

25. The scope of GEF involvement in supporting bio-fuels projects will be based on STAP recommendations which are expected by end of 2003.

26. Overall, OP11 will be expected to build institutional and technical capacity at the local level, support research, policy development, feasibility studies as well as public outreach initiatives, and catalyze public and/or private investments in sustainable transport infrastructure. GEF will not finance; but act as a facilitator of capital intensive demonstrations when necessary. Projects initiated or supported by local municipalities will be given priority.

27. Projected Level of Financing. The portfolio is expected to grow strongly as countries respond to the strategic priority. Expected resource requirement for FY 04 is US\$20 million, increasing to US\$ 39 million by FY05.

General Consideration in Projecting Levels of Financing across Strategic Priorities

28. The projected levels of financing for strategic priorities S1-S4 are smaller than the projected demand from client countries. The delivery capacity of the Implementing and Executing Agencies and the absorption capacity of the countries far exceeds the available funds from GEF-3. The size of these allocations has thus been determined to some extent by historic evidence of relative project sizes, e.g. renewable energy projects tend to be larger than energy efficiency projects, and recorded country demand. This is reflected also in the present project pipeline. Historically, projects under Operational Program 6 have received about 40 percent of the climate change focal area funds, OP5 about 30 percent. Thus, envelopes for OP6 relevant strategic priorities have received slightly higher allocation.

29. Another factor influencing the allocation of programmed funds between priorities S1-S4 is their strategic role in the portfolio. Priorities S1 and S2 are largely replications of successful demonstrations and are expected to have a high cost-effectiveness. Priority S4 expands GEF activities for additional applications not addressed in the existing portfolio and pilots new approaches to fostering development benefits along with global environment benefits. As explained in the Replenishment negotiations document (GEF/C.20/4), covering additional markets “will require proportionately more resources”. Consequently, S4 needs proportionately more resources than S1 and S2.

30. Allocation of funds to the strategic priorities is indicative of the strategic direction of GEF operations. Provisioning of funds for FY 2004 and partly for FY 2005 takes into account the existing project pipeline and has thus a higher degree of certainty than the outlying years. Allocation of funds for late 2005 and beyond represents the strategic direction in which GEF is

moving. The project proponents are expected to start submitting project concepts in FY 2003/04 for these later years of the programming period. Such project concepts are expected to be built around one or more of the strategic priorities. Non-priority activities are acceptable as support activities and as long as they are of financially secondary size. Financial projections may be reviewed annually according to implementation experience and country demand for the various strategic priorities.

31. Strategic priorities S2 and S3 apply to both OP5 and OP6 because the needs for barrier removal in both operational programs are similar and opportunities exist for cost-effective interventions under both OP5 and OP6. It is expected, however, that priority S2 will emphasize OP5, while priority S3 will emphasize OP6. We do not recommend specific allocations within priorities S2 and S3 to OP5 or OP6, however, as that would unduly reduce flexibility.

32. Activities under OP7 and OP11 will initially contribute only minor amounts of GHG abatement but have a strategic long-term role in creating new technological opportunities and targeting the transport sector. They are playing a vital role in ensuring a comprehensive climate change program, responsive to Convention guidance as it combines more immediate market creation (S1-S4) with long-term action (S5-S6).

Private Sector Involvement

33. The Council is reviewing an information paper on the emerging private sector strategy of the GEF (GEF/c.21/Inf.9) in May 2003 and on initial results of the M&E review of GEF projects and their private sector links (GEF/C.21/Inf.8). The Climate Change focal area has traditionally been close to private sector players who are frequently beneficiaries of a GEF project, investor, risk taker, co-financier or implementer of a project component. The strategic priorities build on this private sector role and offer opportunities for incorporation of emerging private sector activities, e.g. market aggregation approaches (S5), contingent finance instruments (S2), or as key stakeholders in a market transformation approach (S1). The strategic priorities are fully compatible with enhanced private sector involvement.

34. The project pipeline has been screened by IAs and GEFSec and projects have been identified which match the strategic development or could benefit from incorporating elements of strategic priority. These projects are expected to enter work programs during the planning period. Their expected allocation over time has been taken into account when programming resources for the different Financial Years. New entrants to the pipeline are expected to be in line with strategic priorities.

Performance Targets and Indicators

35. The expected output from implementation of the strategic priorities is measured by a set of **indicators** which have been selected based on the Climate Change Program Performance Indicators (M&E Working Paper 4, September 2000) and keeping in mind the requirement for easy tracking. The indicators measure the cumulative impact of all projects approved during the

planning period, including in most cases replication of the project without GEF input after project completion.

36. For each strategic priority, one or more **specific indicators** has been identified. These indicators track the direct and indirect outcomes of GEF projects, consistent with the objectives of our operational programs. These indicators also track the national sustainable development benefits of the GEF projects. In order to allow for easy monitoring, the number of indicators has been kept low. It is evident that, due to the small number, the indicators are not measuring all local benefits but only the most important and representative project impacts.

37. Indicators for “market transformation (S1)” are: (i) the expected annual energy savings after market transformation has been achieved; and (ii) the number of transformed markets due to projects in the planning period. The targeted energy savings are calculated based on past projects like the Efficient Lighting Initiative (ELI) and the China Efficient Refrigerators project. The number of transformed markets due to current projects is estimated at around 10, thus 6 additional markets is an ambitious target.

38. The indicator for “improved access to finance (S2)” is the expected additional lending volume for energy efficient investments or renewable energy investment during the project lifetime. It is not counting additional lending after project completion. The target value is based on experience from past projects like the Hungary Energy Efficiency Commercialization Program, the China Energy Management Company Project, Part II and the Sri Lanka Renewable Energy Project.

39. Indicators for “Power Sector Policy (S3)” are: (i) the expected additional installation of on-grid renewable energy generation capacity triggered by policy changes; and (ii) the number of additional countries with explicit operational renewable energy or energy efficiency policy. The installation target is based on projects like India Alternate Energy, Mauritius Sugar Bio-Energy, or the India Hilly Hydro project. The GEF has been part of improving energy policy in a number of countries already, thus 10 additional countries is a realistic target.

40. Indicators for “Renewable Energy and Productive Uses (S4)” are meant to measure the number of additionally served people (direct and subsequent to the project) and social service institutions, and the number of additional people with income-generating opportunities due to the projects. The targets are based on projects like Argentina Renewable Energy in Rural Markets, Namibia Renewable Energy Program and Mexico Renewable Energy in Agriculture.

41. The indicator for achievement under strategic priority S5 will be selected based on a STAP brainstorming help on March 10-11 -- report is still awaited. The suggested indicator “number of business plans which indicate replication of a GEF supported technology” is only one possible indicator which still needs to be discussed and quantified.

42. Indicators for the transport program (Modal shifts and clean technologies) are measuring improvements in local pollution and mobility.

43. As a program indicator, the **GHG impact** of the entire portfolio will be tracked. The GHG impact indicator is measured in tons of CO₂ equivalents, and includes replication effects and a planning horizon of 10-20 years for the GEF project impact. It is expected that all projects committed in FY 03-06 will achieve a combined GHG benefit of 400 million tons of CO₂e in direct and indirect impact. Further development of GHG impact targets is pending the work of the task group presently working on GHG indicators, methodology and targets for the climate change portfolio.

44. Refer to Table 2 for GEF-3 targets and indicators for the climate change focal area.

Table 2. Strategic Priorities, Projected Levels of Financing, and Targets

No.	Strategic Priority	Millions of US Dollars			Indicators	GEF-3 Targets
		FY 03 (actuals ¹)	FY 04	FY 05		
S1	Transformation of markets for high volume products.	28	25	25	GWH pa of annual energy savings from	12000 GWh p.a
S2	Increased access to local sources of financing.	16	30	38	Funding volume of public/private lending for applications targeted by project	US\$700 million
S3	Power sector policy	48	40	40	<ul style="list-style-type: none"> • MW of RE power sector investments. • Number of countries with explicit RE/EE power sector policies. 	<ul style="list-style-type: none"> • 4000 MW • 10 additional countries
S4	Productive uses of renewable energy	20	35	40	<ul style="list-style-type: none"> • Number of additional people served with RE. • Number of additional social services (schools, etc) using RE • Income generating opportunities gained from renewable energy 	<ul style="list-style-type: none"> • 2 million people. • 20000 • 10000
S5	Global market aggregation and innovation	0	30	35	Actual and planned/committed additional global investment in targeted technologies, measured in number of business plans. ²	
S6	Modal shifts and clean technologies	20	20	39	<ul style="list-style-type: none"> • Number of cities with integrated sustainable transport plans in place. • Number of cities with Bus Rapid Transit Plans completed. • Kilometers of additional bikeways constructed. 	<ul style="list-style-type: none"> • 20 • 15 • 300
	STRM	0	5	5		
	Total	132	185	222		

¹ FY 03 work programs have not applied the proposed strategic priorities, thus fund allocation in this table is somewhat arbitrary

² Full indicators for this priority are under development pending the outcome and STAP report of a March 2003 STAP brainstorming on OP7 strategies and measures

ANNEX 3: INTERNATIONAL WATERS DIRECTIONS AND TARGETS

Status of the Portfolio

1. As of January 2003, the International Waters Portfolio comprises 74 projects with a GEF allocation of US\$563 million and an additional US\$938 million in co-financing. These projects cover 127 countries.

2. The pipeline of projects under preparation with Block B funding consists of 21 projects: 7 in OP8, 10 in OP9, and 4 in OP10. Four of the OP8 projects under preparation are part of the Danube/Black Sea basin Partnership Investment Fund (funding already approved), and 10 of the remaining 17 are for projects in African waters. In addition, four projects approved by Council have been divided into tranches because of funding limitations, and additional tranches may be submitted during FY 03-06.

Background on Developing Strategic Priorities

3. The GEF Council established guidance for the international waters focal area in the GEF Operational Strategy. Operational Programs (OPs) 8, 9, and 10 were developed in order to implement the Operational Strategy. The objectives established for the OPs during 1996 were quite modest. This was because strategies to facilitate multicountry cooperation for addressing transboundary concerns of different types of freshwater and marine systems in different settings were not well developed, capacity building processes take time to build trust and confidence among nations, and only modest resources were available for the focal area. M & E activities as well as OPS1 and OPS2 have documented considerable success with foundational/capacity building processes piloted by GEF, but the determination of success in attainment of OP objectives awaits 3 or 4 more years of specific project implementation.

4. The foundational/capacity building processes for multicountry collaboration are often programmed in an initial GEF international waters project with a modest cost in order to overcome barriers to joint action, involve different ministries in each participating nation to build ownership, and set science-based priorities for policy/legal/institutional reforms and investments needed to resolve site-specific, priority transboundary concerns. Once these science-based frameworks for joint action have been agreed, GEF assistance may then move from a foundational/capacity building phase to implementation of agreed incremental costs of the reforms and investments that will eventually lead to measurable impacts on the transboundary waters. The initial multicountry projects are equivalent to “enabling activities” in other focal areas in that they are designed to develop country-driven priorities for policy/legal/institutional reforms and investments needed to address the particular, key transboundary concerns identified by nations.

5. A number of these initial foundational/capacity building projects are nearing completion. Consistent with the Operational Strategy, IAs have worked with recipient nations to develop an implementation project to support agreed incremental costs for reforms and investments

identified by countries in the agreed Strategic Action Program (SAP) for that specific transboundary basin or Large Marine Ecosystem (LME).

6. Program Status Reviews (PSRs) undertaken annually by the GEF Secretariat and the task force and M & E reviews have identified several gaps in coverage of transboundary concerns addressed by projects in the portfolio. Two key program gaps have been identified for a number of years: (a) addressing water scarcity/competing uses of water resources, including those resulting from climatic fluctuations and (b) stabilizing and reversing fisheries depletion in LMEs through ecosystem-based approaches. GEF IAs and countries have responded to the identification of these gaps with a number of concepts in the approved pipeline as well as about one dozen mature concepts ready to enter the pipeline consistent with the OPs. As underscored by the STAP, implicit in addressing water scarcity and competing water uses in basins is the integrated consideration of surface water and groundwater. This linkage is to be stressed.

Proposed Strategic Priorities

7. Superimposed on the maturing of the focal area with its shift in emphasis from initial foundational/capacity building projects to projects focusing on implementation of agreed reforms and investments have been the new imperatives stemming from the World Summit on Sustainable Development (WSSD). Many of the priorities noted in the WSSD Plan of Implementation (POI) and their associated targets relate to the pollution reduction, integrated basin management, and marine fisheries concerns that are central to transboundary projects in this focal area. In particular, with the two GEF IW program gaps having been recognized as global problem areas for years, the new emphases and targets from WSSD add further justification for renewed GEF attention to the two areas. In addition, the WSSD focus on LDCs and SIDS coincides with a large number of requests from those nations in international waters, including a number of priority demonstration projects in the pipeline.

8. The process of establishing strategic priorities has involved producing a special “strategic priorities paper” for the focal area that has been reviewed a number of times with the IAs and STAP. The paper describes the complementarity among POI priorities, WSSD targets, and proposed strategic priorities in the international waters focal area. Specific POI paragraphs are identified in the paper that are supported by the projects expected under the GEF priorities. A number of internal “targets” have also been set to track “program level” progress in the focal area by the end of this business planning period to supplement coverage targets proposed during the Replenishment process.

9. Consequently, the proposed strategic priorities for international waters are based on guidance in the GEF Operational Strategy, objectives of OPs 8 - 10, GEF contributions to WSSD, and the POI/WSSD targets. The strategic priorities, targets, and projected levels of financing discussed with IAs and STAP for FY03-05 are summarized in Table 1.

Proposed Strategic Priority IW-1: Catalyze financial resource mobilization for implementation of reforms and stress reduction measures agreed through TDA-SAP or equivalent processes for particular transboundary systems

10. As a strategic priority, GEF would facilitate efforts of collaborating nations to mobilize financial resources for implementing policy/legal/institutional reforms and stress-reducing investments previously agreed with GEF assistance or equivalent processes for particular transboundary systems. The objective would be to address the particular transboundary water issues identified by nations. Resource mobilization should ideally be mainstreamed into regular programs of agencies, national economic planning of participating nations, engagement of the private sector, as well as GEF incremental cost finance.

11. Under the Operational Strategy, GEF assistance has resulted in a number of projects setting environmental/water targets in terms of environmental quality and water-related objectives, regional convention commitments, and harmonized environmental status indicators for their specific transboundary waterbodies. Targeted alliances and strategic partnerships among nations, agencies, and development partners will be pursued to assist such nations in moving toward these agreed, country-adopted waterbody targets that also support WSSD POI outcomes. A number of internal, specific targets are also included for M & E purposes to track overall progress on this priority. Of the three priorities, this implementation priority would receive more funding than the other two for FY 03-06.

Internal, Specific Targets

- (a) By 2006, GEF will have doubled the number of representative transboundary waterbodies for which it has catalyzed financial mobilization for implementation of stress reduction measures and reforms in agreed management programs as a contribution toward the WSSD POI.
- (b) By 2006, GEF will have catalyzed a Strategic Partnership among African coastal nations, implementing agencies, and global development partners aimed at reversing the depletion of fisheries resources in the Large Marine Ecosystems (LMEs) of Sub-Saharan Africa as a contribution to WSSD POI sustainable fisheries target.
- (c) By 2006, GEF will have catalyzed a Strategic Partnership among African Sahel nations, implementing agencies, and global development partners aimed at reversing the depletion of water resources and balancing their competing uses in the five large transboundary Sahel basins with GEF regional projects in order to contribute to poverty alleviation , WSSD POI actions, and MDGs.

Proposed Strategic Priority IW-2: Expand global coverage of foundational capacity building addressing the two key program gaps and support for targeted learning.

12. With a large number of requests from African nations for specific projects related to the two key program gaps, the expansion of GEF foundational/capacity building work to addressing transboundary concerns of other waterbodies will necessarily focus on the African continent during FY 03-06. With Africa's key transboundary concerns being related to the two key program gaps of water scarcity/competing water uses and fisheries depletion, a different cross-cutting foundational/capacity building is necessary that takes not only transboundary waters but other focal areas such as land degradation/ desertification, biodiversity, and in some places climate change into consideration. The entire US\$60 million identified in the Replenishment Paper for this subject and additional funding will need to be devoted to this initial cross-cutting, foundational/capacity building work for about 7-8 additional African transboundary basins/LMEs consistent with the GEF Operational Strategy.

13. A few additional transboundary systems in other parts of the world would also undertake initial foundational/capacity building work with a focus on the two key program gaps. LDCs, SIDS, and IDA nations would receive priority over competing proposals, and MSPs will be utilized more frequently to begin such foundational work because of resource limitations with the intent to later support a follow-on project.

14. South-to-South sharing of experiences, learning, tech transfer, and filling gaps in understanding of transboundary water systems have been important to this focal area since they were included in the 1995 Operational Strategy. The GEF Replenishment included a specific US\$20 million for targeted learning within the portfolio based on success of the IW:LEARN approach included in OP10 and piloted in GEF-2. The learning experiences among GEF projects undertaken within the IW portfolio has been successful as judged by survey, project evaluations and OPS2. The learning is aimed at exchanging successful approaches among existing projects and those under preparation so that they may be adopted within the framework of adaptive management that characterizes the GEF approach to transboundary water systems. They also help avoid problems that have been encountered by projects. Such South-to-South "structured learning" contributes significantly to the success of GEF's foundational/capacity building work in IW.

Internal, Specific Targets

- (a) By 2006, GEF will have increased by at least one-third the global coverage of representative waterbodies (an additional 9-10) with country-driven, science-based joint management programs with GEF assistance.
- (b) By 2006, almost one half of the ten largest river, lake, or aquifer basins in Africa, Asia, Eastern Europe and Latin America (20 basins in total by 2006) will have country-driven management programs for addressing transboundary priorities developed with GEF assistance that contribute to the WSSD POI "integrated

basin management” target with a view to those programs being under implementation by 2010.

- (c) By 2006, almost one-half of the 27 Large Marine Ecosystems (LMEs) located near developing countries will have country-driven, ecosystem-based management programs developed with GEF assistance that contribute to the WSSD POI “sustainable fisheries” target with a view to those programs being under implementation by 2010.

Proposed Strategic Priority IW-3: Undertake innovative demonstrations for reducing contaminants and addressing water scarcity issues.

15. An important element of the Operational Strategy has been the use of demonstration projects in different sectors or priority international waters concerns that can test the local feasibility of innovative technology or reduce barriers to their more widespread utilization through successful results. Only very few of these were programmed in the last few years while a number of promising approaches were undergoing development and preparation. Consistent with the Operational Strategy and OPs, projects utilizing these innovative technology, institutional, and financial instrument demonstrations are nearing maturity for inclusion in the work program. Some of them, such as preventing releases of alien species and contaminants in ship ballast water or avoiding shipping accidents with modern technology, may lead to the successful negotiation of a global treaty and possibly revolutionizing the shipping industry. Others may support interventions identified through intergovernmental processes at reducing contaminants from land-based activities (GPA demos in OP 10), addressing special needs of SIDS, and resolving conflicting uses of scarce water resources subject to climatic fluctuations.

16. Very little engagement of the private sector has been achieved in international waters projects. Demonstration or pilot projects to test approaches for engaging the private sector and for establishing public-private partnerships in water sub-sectors remain a gap in the portfolio...a gap made more globally significant given targets adopted by WSSD. Just as the climate change focal area has harnessed industry in the energy sector, the IW focal area should be able to leverage investments by the business community in the water sector to address water concerns in transboundary systems. With little history of private sector investments in this focal area, various approaches need to be tested and capacity built for countries to engage the private sector, particularly through testing use of public-private partnerships and contingent finance, including the use of partial risk/partial credit guarantees and innovative financial instruments. One focus may be low-cost technology pilots accompanied by reforms for the poor to have access to water and environmentally responsible sewage treatment or ecological sanitation while generating a mix of local and global benefits. This strategic priority will receive less funding than the other two.

Internal, Specific Targets

- (a) By 2006, GEF will have successfully demonstrated the local feasibility of technology innovations to address 3 or 4 different global water issues subject to

intergovernmental processes such as those related to alien species in ship ballast water, ship-related contaminants, land-based pollution sources, protection of biodiversity, and adaptation to climatic fluctuations.

- (b) By 2006, GEF will have catalyzed development of a global agreement on minimizing the exchange of harmful alien species in ship ballast water from port to port and will have initiated testing of the feasibility of modern technology for precision navigation to prevent accidents and contaminant releases.
- (c) By 2006, GEF will have successfully leveraged finance to begin 3-4 pilot demonstrations of innovative finance in harnessing the private sector or testing public-private partnerships in the water sub-sectors.

17. The cumulative effect of successfully pursuing the strategic priorities during FY 03-06 should also be reflected in coverage of assistance provided to LDCs and SIDS as well as establishment and strengthening of water-related institutions. Several other program-level indicators of achieving objectives in coverage for addressing transboundary concerns identified in OPs 8 – 10 include:

Additional Focal Area Internal Targets

- (a) By 2006, 90% of all LDCs and 90% of all SIDs will have received assistance from GEF in addressing at least one transboundary water concern consistent with the GEF Operational Programs.
- (b) By 2006, GEF will have contributed to and increased by one-third the establishment/strengthened capacity of management institutions for representative transboundary waterbodies to focus on the WSSD POI.

Strategic Priorities, Projected Levels of Financing and Targets

18. The strategic priorities, targets, and resource envelopes for FY03-05 are summarized in Table 1. The proposed financial allocation is based on analysis of the pipeline of projects consistent with the strategic priorities and upstream discussions on future projects with the GEF IAs and EAs.

Table 1: Resource Envelopes & Targets By Strategic Priority

Strategic Priority	Projected Level of Financing (millions of US Dollars)			Targets during GEF-3 (number of waterbodies)**
	FY03 (actuals)	FY04	FY05	
IW-1. Catalyze finance for implementation of agreed actions and reforms in SAPs.	46	45	30	9
IW-2. Expand Coverage with Foundational Capacity Building and targeted learning*	21	28	30	5
IW-3. Undertake innovative demonstrations for reducing contaminants and addressing water scarcity (including testing private sector participation)	15	26	19	8 demos
Total	82	99	79	

*Multifocal, Cross-cutting Capacity Building for 7 Africa transboundary basins and LMEs in OP 9 reflected in cross-cutting capacity building table.

** 90% of all LDCs and 90% of all SIDS receive GEF assistance with at least one transboundary concern.

Programming Strategies

19. Demand for projects addressing international waters exceed resources available in the last Replenishment. Among competing projects, LDCs, SIDS, and World Bank IDA nations would receive priority as would projects addressing the two key program gaps related to scarcity/competing uses of freshwater basins and reversing the decline of fisheries in LMEs.

20. There are three projects from Eastern Europe (including the innovative Danube/Black Sea Basin Strategic Partnership on Nutrient Reduction) and one project from Africa (Nile Basin Initiative) that were tranced due to funding restrictions from previous years. There are also a disproportionate number of projects from Africa in the pipeline with few to none from other regions. Discussions will occur with IAs regarding several of the Africa projects that are marginally consistent with the strategic priorities. Such proposals may be delayed until FY 06 along with the last tranches of several of the four tranced projects in order to create headroom for mature concepts not yet in the approved pipeline that directly support the strategic priorities. This programming strategy may mean that preparation time is lengthened or that project duration be extended where possible.

ANNEX 4: OZONE DIRECTIONS AND TARGETS

1. According to the Operational Strategy GEF's objective the ozone focal area is to assist eligible recipient countries in their short term efforts to achieve full compliance with the Montreal Protocol. Initial goal was to enable GEF partners to meet their ODS phase-out obligations according to Annexes A and B of the Montreal Protocol control regime, which required them to phase-out production and consumption of more than 120,000 tones of CFCs and Halon.
2. A major milestone was reached in this regard earlier this year. The Russian Federation reported to the Ozone Secretariat that it has closed all its remaining CFC and Halon facilities and met all its current phase-out obligations. This marks the successful achievement of GEF's initial goal, which was to enable compliance with Annexes A and B of the Montreal Protocol.
3. However, new tasks have arisen, because new substances have been added to the ODS control regime. Related Protocol amendments have meanwhile been ratified by most GEF partner countries. According to GEF recipients their implementation requires further support.
4. Details of the phase out demand were summarized in GEF's information document GEF/C.18/Inf.6. Most pressing needs relate to the phase-out of Methylbromide whose consumption must to be reduced by 70% by Jan, 1, 2004, and by 100% by Jan1, 2005 according to the Copenhagen Amendment of the Montreal Protocol.
5. GEF's efforts in the current business planning period will accordingly focus on provision of support to eight recipient countries that have reported a total MBr consumption of approximately 450 ODP tones to the Ozone Secretariat. According to cost effectiveness data of the Multilateral Fund phase-out cost of about US\$ 20 per ODP kg must be expected on average.
6. The proposed total allocation for terminal phase out of ODS in eligible countries is therefore US\$ 11.5 Million, plus 0.5 million for strategic assessment of future needs, over the coming business planning period, largely during FY04. This includes contingencies for administrative fees, for unreported MBr consumption, and for activities to explore most cost effective HCFC phase out, as well as possible economic benefits of coordinated CFC/HCFC/HFC phase-out in a collaborative effort together with the Multilateral Fund.
7. Taking into account that the phase-out schedule for HCFC foresees only a 35% reduction by Jan 1, 2004 which will be met by all GEF recipients no allocation is proposed HCFC phase-out activities during the current business planning period. 65%/90%/99.5% reductions are required by 2010/2015/2020 respectively. Optimal ways to assist eligible countries in meeting these schedules will be studied over the current business planning period, and the most cost-effective strategy will be presented to Council in a subsequent business plan.
8. Issues related to possible GEF support for accelerated phase of MBr in Art. 5 countries that may be interested to meet Art. 2 schedules have been referred back to the Ozone secretariat.

According to current principles of complementarity with support provided by the Multilateral Fund these activities are be ineligible. If, however, the Ozone secretariat was requested by the Protocol Parties to present the matter to GEF as a policy issue, the two Secretariats would work together in developing possible policy alternatives to be presented to Council for further consideration.

ANNEX 5: PERSISTENT ORGANIC POLLUTANTS DIRECTONS AND TARGETS

Background

1. The Stockholm Convention on Persistent Organic Pollutants (POPs) was adopted in May 2001. As at April 10 2003, the Convention has been signed by 150 states and one regional economic integration organization. 30 of those have ratified the Convention. The Convention will enter into force 90 days after the 50th instrument of ratification (or acceptance, approval or accession) is deposited. Therefore the first Conference of the Parties meeting will likely take place late 2004.
2. The GEF Assembly meeting October 2002 confirmed the creation of the POPs focal area. The GEF, however, has supported POPs related activities since 1998 within the framework of the International Waters Focal Area such that a small but strategically build portfolio of projects exists that can be built upon.

Status of the Portfolio

3. During the past two years since adoption of the Convention, the GEF has approved enabling activities for 77 countries under expedited procedures. In addition, two countries China and India are receiving project preparation funding for a full enabling activities project, twelve countries are part of a pilot project adopted by Council in May 2001, and twelve other countries have already submitted proposals for funding that are in the process of approval. There are therefore at least 103 countries that are engaged in the firsts steps to implement the Convention with GEF support.
4. In parallel, the GEF has positioned itself strategically through support to targeted projects covering a wide range of POPs issues, and with a strong emphasis on replication and dissemination of lessons learned. Through this small portfolio, the GEF family and client countries are building experience and preparing themselves for the more systematic implementation of the Stockholm Convention. Examples include activities to address alternatives to DDT for vector control, the promotion of non-combustion alternatives for the destruction of POPs, or addressing dioxins emissions form hospital wastes.
5. Finally, the GEF is addressing the priority issue of obsolete stockpiles of pesticides in a systematic matter through the African Stockpile Program which is a multi-partner continent-wide initiative to eliminate all obsolete pesticides stock over a period of some 12 years.

Guiding principles

6. Interim character of the Convention. The Stockholm Convention has not yet entered into force. As such, there is limited experience in its implementation, and parties have not yet developed guidance to the financial mechanism. As a consequence, the strategic priorities may need to be revisited in the future on the basis of further experience gained in executing projects

and on the basis of guidance from the Convention. It should be noted, however, that the Convention is drafted in such a way that it can be said to include its own protocol. Therefore the priority interventions that will be required to implement the Convention in the early years of implementation can be inferred from the Convention text itself with a relatively high degree of assurance.

7. Priorities at the country level should emerge from the NIPs. The GEF is engaged in a systematic effort of foundational capacity-building through the enabling activities funding of the development of National Implementation Plans for the Stockholm Convention (NIPs). The NIPs will provide a framework for a country to develop and implement, in a systematic and participatory way, priority policy and regulatory reform, capacity building, and investment programs. To the extent possible, and whilst allowing for some flexibility, the NIPs will form the basis for future country-level GEF support on POPs. The GEF will provide funding, together with funds from other sources, for those priority policy and regulatory reform, capacity building and investment programs identified in a country's NIP.

Strategic Priorities

8. The strategic priorities outlined below are based on the objectives and requirements of the Stockholm Convention on POPs and the need to foster innovative approaches to integrated management of chemicals (including activities with multi-focal area benefits¹). The GEF would provide incremental assistance for the following (see Table 1 for targets):

I. Targeted (foundational) capacity building

- (a) Preparation of National Implementation Plans (NIPs) that would provide a framework for countries to develop and implement in a systematic and participatory way priority policy and regulatory reforms, capacity building, and investments (POPs enabling activities).
- (b) Awareness raising among different stakeholders
- (c) Management and dissemination of information on integrated management of POPs, including best management practices.

This set of activities deals mostly with enabling activities, and with facilitating the environment for awareness raising and exchange of information and experience, most particularly between GEF eligible countries.

¹ The 2nd GEF Assembly meeting in Beijing in October 2002 adopted the amendments to the GEF Instrument to reflect the adoption of the new focal area on Persistent Organic Pollutants. The Assembly also adopted an amendment to the effect that "the agreed incremental costs of activities to achieve global environmental benefits concerning chemicals management as they relate to the above focal areas [climate change; biological diversity; international waters; ozone depletion; land degradation; primarily desertification and forestation; and persistent organic pollutants] shall be eligible for funding.

II. Implementation of Policy/Regulatory Reforms and Investments

9. Implementation of policy and regulatory reforms, and on-the-ground investments that emerge as priorities from the NIPs or other agreed priority setting exercises such as strategic action programs for international waters.

10. It is anticipated that, in view of the limited capacity of countries to address POPs generally, particularly for Least Developed Countries and Small Island Developing States, the bulk of activities within this category would be dedicated to targeted capacity building during the early stages of implementation of the Convention.

III. Demonstration of Innovative and Cost-Effective Technologies and Practices

11. Demonstration of innovative and cost-effective technologies and alternative practices, including non-combustion technologies for disposal of products, phase-out of PCBs, alternatives to DDT, alternatives to other POPs subject to specific exemptions under the Stockholm Convention, and practices with multi-focal area benefits such as integrated pest management.

12. Through these demonstrations, the GEF will build on the experience gained in the International Waters focal area in addressing POPs. Emphasis will be placed on addressing what are known and agreed priorities at this early stage of implementation of the Convention. This would include the use of DDT for vector control, management of PCBs, or assisting a country or groups of countries to phase-out any other POPs for which these countries have requested a specific exemption.

Strategic Priorities, Projected levels of Financing, and Targets

The strategic priorities, targets, and projected levels of financing for FY03-06 are summarized in Table 1².

Table 1. Strategic Priorities, Projected Levels of Financing, and Targets

Strategic Priorities	Projected Levels of Financing (US\$ millions)			GEF-3 Targets	
	FY03	FY04	FY05	Number of Countries	Number of Projects
Foundational capacity building	42	8	6	70	73
Implementation of policy/regulatory reforms and investments	27	3	10	35	20
Demonstration of innovative and cost-effective technologies	16	9	14	15	5
Total	85	20	30	120	98

² The figures for FY03 includes POPs projects approved under OP10 for FY03, but not the POPs enabling activities approved in FY02 since they were accounted for in the funds for GEF2.

ANNEX 6: SUSTAINABLE LAND MANAGEMENT DIRECTIONS AND TARGETS

1. Land degradation is the latest GEF focal area and the objective of its OP on sustainable land management (OP15) is to provide incremental assistance for sustainable land management to achieve both global environment and sustainable development benefits.

Strategic priorities and targets

2. The strategic priorities for sustainable land management outlined below are consistent with the objectives of the UN Convention to Combat Desertification, lessons and innovations on sustainable land management from GEF and non-GEF projects, and those emerging from the scientific, and technical communities. The goal is to support sustainable land management in area totally 5-10 million ha (see Table 1 for other targets). The GEF would incremental provide assistance for one or more of the following:

I. Capacity Building

3. Capacity building for sustainable land management using mostly medium-sized projects, especially in Least Developed Countries, including:

- (a) Mainstreaming of sustainable land management into national development priority frameworks such PRSPs, CDF, and national development plans for coordinated resource mobilization and implementation.
- (b) Policy and regulatory reforms.
- (c) Institutional strengthening

II. Implementation of Innovative and Indigenous Sustainable Land Management Practices

4. Implementation of innovative and/or indigenous on-the-ground investments, and associated capacity building, on sustainable land management.

Strategic priorities, targets, and resource requirements

5. The strategic priorities, targets, and resource requirements for FY04-05 are summarized in Table 1. The financial projections are based on an analysis of the pipeline of projects consistent with the strategic priorities and upstream discussions on future projects with the GEF IAs and EAs.

Table 1. Resource Requirement By Strategic Priority

Strategic Priorities	Projected Levels of Financing (US\$ millions)			GEF-3 Targets
	FY03 (actual)	FY04	FY05	Number of Projects
Capacity building	5	25	30	78
Implementation of innovative and indigenous sustainable land management practices	5	40	55	83
Total	10	65	85	161

ANNEX 7: INTEGRATED APPROACH TO ECOSYSTEM MANAGEMENT DIRECTIONS AND TARGETS

Status of the Portfolio

1. The GEF support to multi-focal areas became more systemic with the introduction of the Operational Program on Integrated Ecosystem Management (OP 12). As of June 2002, the portfolio is made up of 25 projects in 74 countries with US\$ 82 million in GEF allocation and another US\$322 million in co-financing.
2. To be consistent with the introduction of strategic priorities in the focal areas, GEF-3 will continue to encourage integrated ecosystem approaches in the portfolio. However, projects proposed under this theme, besides meeting the eligibility criteria of OP12, will also have to meet the strategic priorities in at least two of the six focal areas.
3. In the FY 04-05, US\$ 55 million has been allocated to projects that emphasize such an approach.

Table 1. Resource Allocation for Projects employing an integrated approach across focal areas.

	FY03	FY04	FY05	GEF-3 Targets
Integrated Approach to Ecosystem Management	47	30	25	

4. Projects under this approach are expected to contain the following areas of emphasis:
 - (a) Capacity building, especially in Least Developed Countries, including:
 - (i) Policy and regulatory reforms to support integrated ecosystem management
 - (ii) Institutional strengthening to support cross-sectoral approach to management of natural resources. Examples may include human resource development in integrated ecosystem management and strengthening of mechanisms for multiple stakeholder participation in management planning and implementation.
 - (iii) Development of innovative financial mechanisms and packages to support integrated ecosystem management to achieve both global environment and sustainable development benefits.
 - (b) Implementation of innovative and/or indigenous approaches to integrated ecosystem management, using a combination of natural resource management approaches and technologies, depending on the issue(s) within a specific

management unit in natural landscapes and seascapes¹ to achieve multiple global environment objectives. These approaches include protected area system; technologies for energy efficiency and conservation, greenhouse gas reduction, and renewable energy; integrated approach to the management of transboundary water resources; integrated ecosystem management; and sustainable land management.

¹ Natural landscape refers to an area with relatively low human disturbance.

ANNEX 8: SMALL GRANTS PROGRAM DIRECTIONS AND TARGETS

1. The GEF Small Grants Programme (SGP) has been operating since 1999 under a programmatic approach which consists of yearly work plans with specific benchmarks and annual “rolling” replenishments of funds. The GEF Council at its October 2002 meeting considered and approved the work plan for SGP implementation during the period February 2003 - February 2004 (year 5 of the SGP Second Operational Phase) with a total budget of US\$27 million. To date SGP is operational in 64 countries and the Council has already approved expansion to 5 new countries during the above mentioned period. However, as a result of country and NGO demand the GEF Assembly in October 2002 instructed the GEF “*to seek to expand SGP to more countries and in particular to Least Developed Countries and Small Island Developing States*”.¹

2. In response to this request SGP will expand at a faster rate with a target of 10 new participating countries each year during the business plan period. The resources that would be anticipated for such expansion are presented in the table below.

Table 1. Projected Levels of Financing and Targets

	Projected Levels of Financing (US\$ millions)			GEF-3 Target
	FY03	FY04	FY05	
Small Grants Program	30	54	69	A total of 104 countries participate in the SGP. *

*This includes 64 current participating countries.

¹ Beijing Declaration of the Second GEF Assembly. Beijing, China, October 16-18, 2002.

Filename: C21.Inf.11- Strategic Business Planning
Directory: M:\NOF Publish\GEF_C21
Template: Q:\Templates\Normal.dot
Title:
Subject:
Author: Ramesh Ramankutty
Keywords:
Comments:
Creation Date: April 17, 2003 8:46 AM
Change Number: 5
Last Saved On: April 17, 2003 9:18 AM
Last Saved By: WB203615
Total Editing Time: 21 Minutes
Last Printed On: April 17, 2003 5:02 PM
As of Last Complete Printing
Number of Pages: 43
Number of Words: 14,125 (approx.)
Number of Characters: 80,515 (approx.)