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CORPORATE BUSINESS PLAN FY02-FY04

Recommended Council Decision

The Council, having reviewed the *GEF Corporate Business Plan FY02-04* (document GEF/C.16/8), approves the business plan subject to comments made at the meeting. The Council requests the Secretariat and the Implementing Agencies to take into account the business plan and its decisions on other agenda items in carrying out GEF activities and in preparing the proposed FY02 budget for approval by the Council at its meeting in May 2001.

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I. THE MISSION OF THE GEF AND THE CHALLENGE AHEAD

1. The mission of the Global Environment Facility (GEF), established in 1994, is to be “a mechanism for international cooperation for the purpose of providing new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits in the areas of biological diversity, climate change, international waters, and ozone layer depletion. Land degradation issues, primarily desertification and deforestation, as they relate to the four focal areas will also be addressed.”¹ The Operational Strategy set out ten operational principles that the GEF would adhere to in carrying out its mission.²

INTERNATIONAL COOPERATION

2. As a funding mechanism, GEF provides resources to developing countries and economies in transition to help them meet the costs of achieving global environmental benefits in the course of their sustainable development. GEF operates the financial mechanism of the Convention on Biological Diversity and the United Nations Framework Convention on Climate Change, the two international environmental conventions opened for signature at the Rio “Earth Summit” of 1992 (the United Nations Conference on Environment and Development). GEF is the only international funding source to emerge from the Rio Summit, and since that time has committed more than \$3 billion in new resources and leveraged an additional \$8 billion in support of its mandate. GEF may also be requested to operate the financial mechanism of the new international convention on persistent organic pollutants (POPs).

3. As a mechanism for international cooperation more broadly, GEF is central to the drive to global sustainable development. In order to build commitment, raise additional resources, ensure sustainability, and promote replicability, GEF projects link global environmental benefits to the attainment of national and local benefits. All GEF projects must be country-driven and meet national priorities. For example:

- (a) Air pollution in cities is often associated with sources that also emit greenhouse gases.
- (b) Persistent toxic substances that find their way into both local water supplies and international waters affect public health.
- (c) Measures to protect land and water resources can help in poverty alleviation as much as in preservation of habitat for biodiversity.

As a consequence of linking global with local benefits and associating international with other sources of finance, GEF has become the major -- and in some cases the predominant -- catalytic funding source for other priorities in Agenda 21 as well. GEF project components have had a substantial impact on access to freshwater resources,

¹ *Instrument for the Establishment of the Restructured Global Environment Facility*, paragraphs 2 and 3. See also *Operational Strategy*, 1995, p.1

² *Operational Strategy*, 1995. Box 1.1, p.2

protection of marine resources, the creation of sustainable livelihoods, land restoration, food and environmental security, and public health, and have also supported the protection of cultural and historical heritage, women's activities, and youth employment. In relation to the Small Island Developing States (SIDs) in particular, GEF biodiversity projects have also incorporated other priorities of the Barbados Programme of Action, notably on freshwater resources, coastal zone management, and sustainable tourism.

4. Over the business planning period FY02-04, as it implements its Operational Strategy to meet the challenges to the global environment, the GEF will strive to retain its pre-eminent place in the global environmental and sustainable development agenda and debate. In this period, a number of important events will take place:

- (a) The new international convention on persistent organic pollutants (for which negotiations are expected to complete December 2000) will be opened for signature and ratification. GEF stands prepared to assist with a new operational program on POPs and to operate the convention's financial mechanism, if asked to do so;
- (b) The mechanisms under the Kyoto Protocol (including the Clean Development Mechanism) will be further developed. GEF could provide experience from a tested governance structure within which new mechanisms along with their agreed policies and criteria could operate. GEF could also provide experience of designing projects that address multiple environmental impacts in an integrated way, such as its work on land degradation and integrated land and water management. GEF could also operate any fund specifically earmarked for adaptation activities, using its functioning institutional structure, experience in the field, and ability to mix and match financing from various sources to achieve multiple benefits;
- (c) Work will continue towards the entry into force of the Cartagena Protocol on Biosafety and in the other international conventions on the environment;
- (d) The outcomes of the Millennium General Assembly of the United Nations will be translated into action;
- (e) The Rio+10 review and renewal of the Earth Summit commitments will take place in 2002. GEF has offered the Secretariat of the Commission of Sustainable Development its full support for the preparation of this event, in view of GEF's major role as a funding source and the synergies between Agenda 21 and GEF activities;
- (f) The Third Replenishment of the GEF is expected to be concluded in early 2002;
- (g) The Second GEF Assembly in China will be convened in October 2002.

THREATS TO THE GLOBAL ENVIRONMENT

5. Having entered the new millennium, the world still faces many environmental challenges at the national, regional, and global levels. Although there are numerous success stories, lasting change will require concerted action by the international community. GEF will do its part in assisting its member countries and partner organizations to catalyze such action, and will set an example as an efficient, cost effective, adaptable institutional model in the new century.

6. Although primary threats to the environment are generally known, UNEP's Millennium Report on the Environment shows that some facts bear repeating. In the late 1990s, 25 percent of mammal species and 11 percent of bird species are at risk of extinction, while still more are threatened by habitat loss and the introduction of exotic species. Eighty percent of the forests that originally covered the earth have been cleared or degraded, and 39 percent of the remaining natural forests are at risk. The food crop diversity developed during centuries of domestication is being reversed by a growing reliance on genetically uniform crops. Global emissions of greenhouse gases have increased dramatically this century, resulting in the highest concentration of such gases in the atmosphere for 160,000 years. These environmental changes threaten world health, food security, and the overall stability of global biogeochemical processes and could increase the severity or frequency of natural disasters. The health of international waters is being affected by climate change, pollution, and overfishing, potentially threatening more than half of the world's reefs and imperiling marine resources. One bright spot is the slowing of stratospheric ozone depletion, a trend to which GEF has contributed in the economies in transition. By 2050, the ozone layer is expected to recover to pre-1980 levels.³

7. At their foundation, these global trends are the simple product of everyday actions and individual decisions in communities around the world. These threats can be managed – and positive impacts made – where there is cooperation, partnership, and commitment. As one example, CFC production, which had more than doubled in some countries between 1986 and 1996, is declining markedly in the economies in transition where GEF has financed phase-out-actions.

FACILITATING INTERNATIONAL COOPERATION TO ADDRESS THE THREATS TO THE GLOBAL ENVIRONMENT

8. GEF would continue to assist efforts in international cooperation to address threats to the global environment. Its own efforts would be concentrated in five areas. First and foremost, GEF will strive to achieve positive and **measurable impact** on the global environment through the actions that it finances. Second, since sustained, measurable impact will depend critically on the involvement and commitment of the countries where actions take place, GEF will assist countries to strengthen their **ownership** of actions and to link them to their sustainable development priorities. Third, the Implementing

³ *Global Environmental Outlook 2000: UNEP's Millennium Report on the Environment*, United Nations Environment Programme, London: 1999.

Agencies and executing agencies of GEF will deepen their **commitment** to the global environment. Fourth, GEF will broaden its **partnership** with a wide range of organizations in order to expand the opportunities for additional financial resources and assistance to enhance impact. Fifth, as a model for international cooperation, GEF itself will strive to continuously improve its **institutional effectiveness** and efficiency of its organization, relationships, and operations.

II. ACHIEVING AND SUSTAINING IMPACT

OPERATIONAL PROGRAMS

9. Achieving positive and sustained impact on the global environment with limited international finances is GEF's overriding objective for the actions it finances and those it catalyzes. Initially, a number of experimental approaches had been piloted by the Implementing Agencies and then, shortly after GEF was formally established, an Operational Strategy was developed that would thenceforth focus operations cost-effectively within operational programs. As a result, projects are thematically related; lessons are drawn from innovative or demonstration projects; and replication encouraged elsewhere. GEF will continue the approach set out in earlier business plans of focusing its activities programmatically, thereby building sustainability and replicability into project design and promoting replication.

10. Progress and impact will be monitored according to program indicators that have been developed under the leadership of the monitoring and evaluation team, and will be reported annually in the Program Status Reviews. An initial set of indicators has been identified for climate change and will be tested and refined, while work continues on the indicators for other focal areas. The role of monitoring and evaluation will remain central to this whole effort.

11. The Operational Programs are set out in Table 1. GEF projects that include activities addressing land degradation⁴ targeted research,⁵ or agricultural biodiversity, and medium-sized projects,⁶ all fall within the existing programs and are not separate programs. Depending on convention guidance and the outcome of current GEF policy work, GEF may develop operational programs to guide its responses in the areas of adaptation to climate change and capacity development.

⁴ *A Framework for GEF Activities Concerning Land Degradation*, Global Environment Facility, Washington, D.C.: October 1996

⁵ *Principles for GEF Financing of Targeted Research*, GEF/C.9/5. Note that targeted research projects are a type of project, and do not constitute a new Operational Program. Targeted research proposals, like capacity-building and investment activities, contribute towards and are justified in terms of the objectives of the Operational Programs.

⁶ *Medium-Sized Projects*. GEF/C.8/5. August 29, 1996. Medium-sized projects constitute a pathway with particular processing steps, but do not constitute a **program** in their own right. Each medium-sized project must conform to the requirements of the program of which it constitutes a part.

Table 1. GEF Operational Programs

Focal Area	Type of Activity		Portfolio
Biodiversity	Operational Programs	OP#1	Arid and Semi-arid ecosystems
		OP#2	Coastal, marine, and freshwater ecosystems
		OP#3	Forest ecosystems
		OP#4	Mountain ecosystems
	Enabling Activities	OP#13	Agricultural Biodiversity
		EA-B	Biodiversity Enabling Activities
		STRM-B	Biodiversity Short-Term Measures
		OP#5	Removing barriers to energy conservation and energy efficiency
	Short-Term Measures	OP#6	Promoting the adoption of renewable energy by removing barriers and reducing implementation costs
		OP#7	Reducing the long-term costs of low greenhouse gas-emitting energy technologies
		OP#11	Promoting environmentally sustainable transport
		EA-CC	Climate Change Enabling Activities
Operational Programs	STRM-CC	Climate Change Short-Term Measures	
	OP#8	Waterbody-based program	
International Waters	Enabling Activities	OP#9	Integrated ecosystem and resource management
		OP#10	Contaminant-based program
		ST-O3	Projects, and Country Programs to identify and prepare eligible projects
Ozone Depletion	Short-Term Measures	OP#12	Integrated Ecosystem Management
Multi-Focal Area			

12. The GEF, in consultation with the Implementing Agencies, monitors annually the progress in the programs, in accordance with the criteria that were established for each. The purpose of these Program Status Reviews⁷ is to record progress in meeting stated objectives; identify current gaps; identify strategic and operational policy issues; estimate areas of emerging country-driven demand within the programs; and compare program gaps with country demand in order to help identify opportunities for responsive pipeline development. The results of these reviews are used to identify the types of operations that need to be emphasized for GEF to achieve programmatic impact and to identify necessary elements in the complementary work programs of the Implementing Agencies. Programming of resource commitments will be done with each agency.

Emerging Operational Challenges

13. The program focus has taken the GEF a long way from a pilot phase of experimental but unrelated projects to a maturing portfolio of thematically related

⁷ *Program Status Reviews*, GEF/C.16/Inf.5.

projects that benefit from previous lessons and lay the groundwork for future replication. With the evolution of the GEF system and the growth of the portfolio, have come new opportunities to further deepen and sustain environmental benefits, namely through:

- (a) committing programmatic support at the country or regional level;
- (b) integrating environmental management across focal areas, and flexibly combining funding sources to achieve multiple environmental benefits;
- (c) strengthening sustainability through project design; and
- (d) promoting international cooperation for replication.

14. The Implementing Agencies and STAP cooperate with the GEF on meeting these challenges. The nature of these challenges in the focal areas and their operational programs are highlighted in the Program Status Reviews. STAP's work program is now focused on strategic advice on and selective reviews of:

- (a) programmatic issues, such as power sector reform, technology learning curves and learning-based portfolio strategies, the market prospects for specific technologies, and portfolio diversity issues;
- (b) good practice in integrated ecosystem management, including community-based approaches to integrated land and water management, and adaptation to climate change;
- (c) sustainability; and
- (d) scientific and technical advances in GEF projects and reviewing scientific and technical capacity needs that will facilitate their replication.

COUNTRY PROGRAMMATIC SUPPORT

15. From operational experience, it is now clear that activities to protect the global environment can be better sustained when set in the context of broader programs of action. For example, biodiversity conservation within protected areas can only be sustained in the long term if sufficient attention is given to the activities in the buffer zones and the surrounding landscapes and seascapes. Much of the GEF portfolio has been in protected areas, but the time is ripe for supporting broader government and community sustainable development efforts in surrounding areas to manage the long term pressures on the reserves. Discussions have been underway with Mexico to prepare such a framework, which would include appropriate government commitments and in-country inter-sectoral dialogue. In the climate change focal area, it has long been recognized that renewable energy markets can only be created or transformed sustainably if private sector involvement becomes self-sustaining. Much of the GEF portfolio has hitherto consisted of demonstrations, the removal of identified barriers, and private sector investment funds

managed by IFC in the area of renewable energy and energy efficiency. Efforts are now being made through the strategic partnership with the World Bank to develop renewable energy programs that will comprehensively transform the renewable energy markets at the country level. Recently a programmatic approach to do this was approved for Uganda, and China is developing a multi-actor programmatic framework with initial GEF PDF-B support channeled through the World Bank.

16. GEF has taken a number of steps to promote this approach. The first is the development of programmatic frameworks⁸ for linked multi-year commitments, for reasons that were set out in the previous Corporate Business Plan. The approach has these key features:

- (a) Phases. Commitments are deepened over several years in clear phases, each marked by milestones and typically supported by an envelope of GEF resources approved by Council for streamlined release according to agreed criteria;
- (b) Linkages. Commitments by the country (or countries), the GEF, the Implementing Agencies, and other partners are parallel and linked;
- (c) Learning. The program is managed adaptively, with learning and feedback playing an important role particularly when moving from one phase to another.

17. The other major steps are the initiation of country dialogue, in many cases stimulated through the Country Dialogue Workshops (see para. 30); the expansion of opportunities for selected executing agencies which are expected to become valuable partners in future programmatic approaches (see para. 47); and the exploration of broad programmatic partnerships with the international private sector to promote solar energy.

INTEGRATED ENVIRONMENTAL MANAGEMENT

18. One of the particular strengths of the GEF as a funding mechanism is that it has the capacity to cover several focal areas. This way it is possible to develop projects and programs that cost-effectively achieve multiple benefits, by justifying resources according to the various global benefits generated and by associating international finance with various other sources of finance – a feat that cannot be achieved by extant or yet-to-be-developed single-purpose financial mechanisms. Two current strategic thrusts of the GEF make use of this opportunity:

- (a) activities addressing land degradation have been identified for funding within three focal areas of the GEF; and

⁸ A draft paper *Programmatic Approach for the GEF: Criteria and Processes for its Implementation* has been available on the GEF website for comment.

- (b) a new operational program has been approved that will specifically target environmental benefits in more than one focal area at a time (in addition to linking to local benefits). This is GEF's first multiple focal area operational program: *Integrated Ecosystem Management, OP#12*.

19. The upcoming COP of the FCCC will be considering an "Adaptation Fund" as well as guidance to the financial mechanism in the area of adaptation to climate change. Such activities could be planned by the GEF so as to provide multiple benefits. Examples of such multiple benefits, global and local, could include protecting

- (a) terrestrial and aquatic ecosystems, which may become uniquely stressed or modified by climate change;
- (b) carbon sinks, vulnerable to accelerating deforestation and land degradation associated with climate change; and
- (c) agriculture and other productive systems from normal climate variability.

20. Depending on the strategy and action plans currently being prepared under the GEF-UNDP Capacity Development Initiative, GEF might also consider the development of an operational program that captures in an integrated way the multiple benefits of developing capacity and promoting technology transfer for the environment in a comprehensive way. Such an operational program could help to operationalize much more effectively from the country point-of-view the guidance of various conventions concerning capacity development -- including enabling activities, institutional strengthening, and technology transfer. This is because it would be possible to take advantage of the synergies in the capacities and institutions required for integrated environmental protection including, among other things: biodiversity, biosafety, agricultural biodiversity, adaptation to climate change, land degradation, and pollution reduction. It would also provide a formal way of recognizing the central role played by the country's enabling environment as a preparation for all sustainable programmatic approaches. By providing a comprehensive framework, it would also encourage and expand the additional bilateral and multilateral support for related capacity development.

SUSTAINABILITY

21. Serious attention continues to be paid to sustainability in all focal areas. Specific steps, which had been reported earlier, include:

- (a) GEF Project Review Criteria. These have been finalized and specifically include consideration of sustainability;⁹ and
- (b) good practice in designing projects for sustainability. Examples of good practice are highlighted in the cover notes prepared to assist Council in their

⁹ *GEF Project Cycle, Annex A. GEF/C.16/Inf. 7.*

consideration of the Work Programs. Good practice examples will also be collated in the Secretariat Sourcebook being prepared to help project staff in the preparation of projects meeting GEF criteria.

22. Future actions that will be important for maintaining sustainability include mainstreaming and comprehensive capacity development.

23. The efforts of the agencies to mainstream environmental considerations in their regular work programs will be particularly critical because it strengthens commitment and thus the likelihood of success and sustainability. First, a link between the global environmental action and the underlying development strategy supported by the agencies is a major way to associate global with local benefits and thereby strengthen local commitment (see also para. 45). Second, agency cofinancing shares the risk and can be expected to deepen commitment to successful project implementation. Some specific mainstream opportunities on which GEF could build include:

- (a) work to foster a broad sustainable enabling environment in the forest sector, and indeed in all productive sectors with implications for biodiversity protection;
- (b) large-scale support for on-grid renewable energy; and
- (c) comprehensive capacity development for environmental decision-making.

24. The long-term sustainability of environmental action for local and global benefits depends on the creation of an enabling framework; a structure based on good governance; strong capable institutions; and the development of in-country technical capacity, including technology transfer. The strategy being prepared under the Capacity Development Initiative (see para. 35) is expected to lay the basis for an operational program that will help do this.

REPLICATION

25. In seeking to maximize global environmental benefits, the GEF will emphasize its catalytic role and leverage additional financing from other sources.¹⁰ Replication is fundamental to the GEF's ability to act catalytically. Broad assessments of replication have been started through the GEF-UNEP Partnership (on replication potential of conjunctive use of photovoltaics and hydropower) and UNEP assessments (e.g., on wind power). To date the main way in which replication has been monitored and promoted is through the Project Review Criteria. Specifically, these require that:

- (a) replication potential be part of the very concept of a GEF project. At Pipeline Entry, concepts are admitted to the pipeline in a sequence that allows GEF to

¹⁰ This is one of the ten operational principles set out in *Operational Strategy*, p.2.

incorporate appropriate lessons from earlier thematically related projects and themselves include an outline of future replication potential; and

- (b) project preparation include a replication plan. By Work Program inclusion, project designs incorporate lessons from similar projects in the past and describe the proposed approach to replication (e.g., dissemination of lessons, training workshops, information exchange, scientific and technical assessments, technology transfer, and special documentation.)

26. In the business plan period, GEF will increasingly cooperate with other organizations in the developing an overall database of thematically related activities. This will enable partner agencies to inform each other of planned and on-going efforts and plan to make use of replication potential of GEF and other projects (see paras. 75-77).

III. STRENGTHENING COUNTRY OWNERSHIP

27. GEF assists countries to strengthen their ownership of global environmental action and to link such action to their national priorities, because success will depend critically on the involvement and commitment of the countries where such action takes place.

28. The previous Corporate Business Plan (FY01-FY03) described the steady increase in country ownership, country absorptive capacity, and consequent country-driven demand for GEF funding. Indicators of country ownership included counterpart funding, reports prepared for CBD and FCCC, completion of enabling activities funded by GEF, and experience of GEF project preparation. The business plan also set out a four-part strategy comprising country dialogue, support for country coordination, support for constituency coordination, and efforts to strengthen country-drivenness for those countries and constituencies requesting such support. This strategy is being implemented.

COUNTRY DIALOGUE

29. Country dialogue is a way for countries to share with the GEF their national priorities, plans for global environmental action, and their views on the operation of GEF. It is also an opportunity for outreach and communication by the GEF to a wide range of country stakeholders. Dialogue is taking place in several countries. It has been initiated in a number of ways, as a country request for:

- (a) multi-year programming support for planned comprehensive approaches to global environmental issues;
- (b) a Country Dialogue Workshop, and for follow up on the strategies proposed and issues raised; or
- (c) discussions on national priorities and operational issues.

Country Dialogue Workshops

30. In August 1999 a Steering Committee was established, consisting of UNDP, UNEP, the World Bank and the GEF Secretariat, to oversee implementation of the Country Dialogue Workshops (CDW). The Steering Committee has scheduled the workshops and agreed on the program and material to be used. In the period between April to November 2000 a total of 10 workshops have been organized. The Steering Committee reached also agreement on a schedule for the countries that will host a workshop in 2001. It is expected that by the end of that year a total of 40 countries, including those participating in (sub) regional workshops, will have participated.¹¹

31. In the dialogue sessions many topics related to the countries' sustainable development and the countries' local environmental issues are discussed intensively and set in the context of the global environment. Several issues concerning country needs are equally highlighted in most of the dialogue discussions. The issues include the need to:

- (a) increase awareness of the GEF at country level;
- (b) increase knowledge of the project development cycle;
- (c) strengthen coordination between the different authorities in the country, at national and local level, in particular those who are also the focal points for the CBD and FCCC;
- (d) enhance the ownership of project ideas and proposals as in most countries there is a lack of local expertise;
- (e) enhance the capacity to consistently involve key stakeholders in the development of concepts and policies aimed at creating a firm base at national level to entertain a sustained relation with the GEF.

32. In addition to identification of country needs, discussions took place on how to further analyze these needs in order to address them more effectively. One of the options highlighted during these intensive exchanges was the need for the country to consider a strategy which takes into account the priorities set out in the national sustainable development plan, including modalities for long term programming of the support that can be provided by the GEF.

33. The GEF will continue to strengthen the dialogue with the countries. As recommended in the Steering Committee of the Country Dialogue Workshops in September 2000, the GEF Secretariat will now follow up with countries on the strategies being prepared and on other issues in the dialogue.

¹¹ Countries which requested a country dialogue workshop but will not be able to host one in the next few years will be encouraged to use the focal point support to organize a national dialogue workshop. The instruction materials, documentation and materials for presentations for the dialogue are made available on the web site.

National Reports and Communications

34. To improve understanding of national priorities, the GEF and the Implementing Agencies will continue to review the national reports made available by developing countries to the Convention on Biological Diversity (CBD) and the national communications made available by non-Annex I countries to the Framework Convention on Climate Change (FCCC). As of June 2000, ninety-two developing countries had made their first national report or draft report available to the CBD and 29 non-Annex I countries their first national communication to the FCCC.

35. During the business plan period, GEF will continue to assist countries to hold national consultations for preparing their second national reports to the CBD and for preparing their second national communications to the FCCC. Comprehensive and integrated country action plans are also expected from the third phase of the Capacity Development Initiative, a major GEF-UNDP strategic partnership.

SUPPORT FOR COUNTRY LEVEL COORDINATION

36. Country level coordination is supported by the GEF through:

- (a) support for the GEF Focal Points;
- (b) coordination by the local offices of the GEF Implementing Agencies; and
- (c) coordination with other international funding sources.

37. Support for the GEF Focal Points (in their responsibilities for overseeing their country's interaction with the GEF at national level and as a member of a GEF constituency) was approved by the Council May 1999 for a three-year period. The Council approved the provision of services and in-kind support through the Implementing Agencies' field offices. Most countries have requested such support. The GEF will continue to work with the Implementing Agencies to make the implementation of this arrangement as timely and as effective as possible. A comprehensive report on the assistance being provided will be prepared for Council review at the meeting in May 2001.

38. Coordination by the local offices of GEF agencies is very useful in following up operationally on the country dialogue concerning national priorities and strategies for global environmental action and will be encouraged. Joint meetings between the field office representatives and the Operational Focal Point and other interested stakeholders facilitate an exchange of information on GEF policies, project concepts, and the possible roles of each agency and increase the transparency of the relationship between the GEF and the country.

39. As noted in the previous Corporate Business Plan, the GEF Secretariat organized the Good Practices in Country Level Coordination Workshop in March 2000. The participating countries felt that the dissemination of good practice is fundamental to improving country level coordination and requested the GEF Secretariat to organize more

of this type of workshop. As the follow up, the experiences identified in this workshop are being widely disseminated, including at the Country Dialogue Workshops.

40. Over the business plan period, GEF will organize annually one or two regional workshops of GEF focal points in order to share information on experiences and disseminate good practice in coordinating GEF activities. This regional interaction would further strengthen focal points, country ownership, and sustainability.

41. The Project-Tracking and Management Information System of the GEF (see paras. 75-77) will facilitate coordination with other international funding organizations and will lead to a better understanding of the GEF's objectives and procedures.

SUPPORT FOR CONSTITUENCY COORDINATION

42. The Good Practices in Country Level Coordination Workshop held in March 2000 underlined importance of coordination at the constituency level. The Council had earlier approved support for constituencies, in May 1999, for a three-year period. Such support is provided to Council Members to help them consult with the countries in their constituency to coordinate views prior to a Council meeting and to exchange information about the GEF policies and programs.¹² This support is provided in the form of services through the field or regional offices of one of the Implementing Agencies.

EFFORTS TO STRENGTHEN COUNTRY DRIVENNESS

43. To ensure that project proposals are truly country driven, and as recommended in the *Study of GEF's Overall Performance*, the GEF, in consultation with the Implementing Agencies, has developed Project Review Criteria¹³ that include criteria for country ownership. These criteria are now applied at Pipeline Entry and for Work Program Inclusion. Good practice examples are highlighted in the cover notes to each Work Program.

¹² The focal point support also includes the option to be used for international travel in order to attend Constituency Meetings on the invitation of the Council Member. The Council Member also receives support for meeting the costs of organizing constituency meetings. These meetings will offer the opportunity to reach agreement on the rotation of the Council Member and the Alternate but are also important as a platform to discuss policies and project concepts relevant for the region as well as project proposals which will have over the border consequences.

¹³ See *GEF Project Cycle*, GEF/C.16/Inf. 7.

IV. DEEPENING AGENCY COMMITMENT AND EXPANDING PARTNERSHIP

44. The initial commitment of the Implementing Agencies to the GEF had been in developing their GEF activities in areas of their institutional comparative advantage, as provided for in the *Instrument*. The issue for the Implementing Agencies in the years since the restructuring in 1994 became one of deepening those commitments by integrating their GEF activities into their regular work programs and taking global environmental considerations into account in those programs. Progress on these issues has been reported to Council by the Implementing Agencies.¹⁴ Given the magnitude of the resources required for the global environment, the Implementing Agencies will need to continue deepening their commitment to the GEF.

REVIEW OF AGENCY COMMITMENT

45. In the previous Corporate Business Plan (FY02-FY04) a number of indicators were established for showing progress on the deepening commitments of the Implementing Agencies. They were:

- (a) Direct cofinancing of GEF projects, leverage and mobilization of cofinancing for GEF projects, foundational support for GEF projects from the regular work program, replication of successful GEF innovations, follow up to the recommendations and opportunities from GEF projects in the regular work programs, adoption of policies incorporating global environmental considerations in their regular work program, and development of a regular program non-GEF financed activities linked to global environmental priorities – all of which increase impact;
- (b) Stewardship of partner agencies for joint management of the project cycle, expanded opportunities for executing agencies, and collaboration with other Implementing Agencies – all of which expand partnership;
- (c) Use of institutional comparative advantage in GEF activities, participation in strategic partnerships with GEF, staff familiarization efforts, extent to which knowledge of GEF and the global environment is spread through the operational units, and staff incentives and budgetary measures to promote global environmental action – all of which promote institutional effectiveness of GEF.

46. Work has commenced on analyzing these commitments in a manner that is consistent across agencies.

- (a) *Mobilizing finance and support.* Discussions are taking place with the Implementing Agencies on the many indicators of commitment of para 45(a). One of these is direct cofinancing (rather than cofinancing leveraged from other sources), which is a particularly important indicator of the level of

¹⁴ The latest report is the one from the World Bank, *World Bank Group Environment Strategy and Mainstreaming the Global Environment*, GEF/C.14/3.

institutional commitment, because the sharing of risk and the co-management of agency funds and GEF funds will increase the likelihood of success.¹⁵ Clear definitions will be important, in order to distinguish the funds that would not otherwise have been available for a global environmental objective, essential baseline funding, and associated funds for related activities. UNDP has made a commitment to broker development assistance to complement GEF funding, including the mobilization of scarce grant resources. In the World Bank, new approaches to forest management under development are expected to provide good mainstreaming opportunities for biodiversity conservation in productive landscapes. But it will be necessary to determine the impact on mainstream support for grid-based renewable energy that the shift of emphasis in the regular work program from power generation to legal and regulatory reform will have. The level of commitment to follow up GEF projects, particularly the heavy investments needed to follow up the Strategic Action Programs in international waters, will also need to be ascertained.

- (b) *Stewardship.* The Implementing Agencies continue their stewardship of executing agencies under expanded opportunities. UNDP has taken the lead on a major expansion of opportunities with the RDBs, the World Bank has also collaborated in several such projects, and UNEP is collaborating with FAO.
- (c) *Complementarity.* The extent to which GEF operations have focused on the comparative advantages of the Implementing Agencies is also under review. All three agencies have strategic partnerships with the GEF, and there is now operational experience with this modality and the level of commitments that have been fulfilled.
- (d) *Internal incentive structure.* The incentives within each agency for their operating divisions to prepare and supervise GEF projects depends in part on passing the GEF fee through to those operating divisions (see para. 56c) and in part on GEF familiarization, training, and internal support mechanisms.

EXPANDING THE PARTNERSHIP

47. GEF is developing partnerships with a wide range of organizations in order to expand the capacity of the international system to supply the needed resources and assistance for such an immense undertaking. The GEF Implementing Agencies have made impressive efforts to expand opportunities for executing agencies within the GEF. They have worked with NGOs, RDBs, bilateral development cooperation agencies, agencies of the United Nations system, and others.¹⁶

¹⁵ In those cases where GEF projects cannot be integrated into regular agency-supported work programs, other sources of funding have to be mobilized to cover the baseline costs of the project.

¹⁶ See *Expanded Opportunities for Executing Agencies*, GEF/C.13/3

Executing Agencies operating under Expanded Opportunities

48. Six agencies (ADB, AfDB, EBRD, FAO, IADB, and UNIDO) have been approved by Council to prepare project proposals using PDF-B funds that may be provided directly to them and to implement approved projects with accountability shared with an Implementing Agency. Several projects (from ADB, EBRD, FAO, and IDB) are in the GEF Pipeline. Three have been fully prepared and are included in the current Work Program. Criteria for admitting additional executing agencies to this arrangement are under preparation.

Bilateral Development Agencies

49. The previous Corporate Business Plan set out the issues on which cooperation would be sought with bilateral development agencies, namely: cofinancing, coordination and complementarity, replication, and cooperation. Discussions have been held opportunistically with interested bilateral agencies and with the European Commission. The other activities previously reported continue. One new development, which should greatly accelerate this agenda, is *the Project-Tracking, Mapping, and Management Information System* (see paras. 75-77). This will provide a framework for contributing and accessing data on GEF-related activities from a wide range of sources and will help in program coordination.

Private Sector

50. The need to strengthen the engagement of the private sector and the current modalities¹⁷ for doing so were reported in the previous business plan. These modalities included the barrier removal and investment fund modalities above, as well as the financing of alternative feasibility studies, contingent finance and other guarantee instruments, and public-private partnerships. The GEF, the Implementing Agencies, and agencies operating under expanded opportunities are continuing to broaden and deepen efforts to engage the private sector. In particular, GEF is exploring with IFC -- the arm of the World Bank Group that provides loan and equity finance to private sector companies -- how to maximize the impact from the already adopted modalities for such engagement and to broaden GEF's partnership with the private sector through new forms of engagement.

51. In view of the issues¹⁸ set out in the previous business plan, GEF will undertake actions in the following areas:

- (a) *Modalities*. Based on the results of initial project efforts, conduct a review of the use of private sector funds and financial intermediation elements of GEF projects as a means of supporting further effective use and replication. In addition, explore with IFC and other IA and executing agency partners, the development of the full diversity of modalities and actors and, in particular, to work with individual corporations.

¹⁷ *Engaging the Private Sector in GEF Activities*, GEF/C.13/Inf.5

¹⁸ See also *Funds and Trust Funds*, GEF/C.12/Inf.5.

- (b) *Country-based strategic partnerships with the private sector.* Encourage countries to invite private firms to join open partnerships that would define key issues and develop a program of action. In accordance with its operational programs, GEF would finance institutional support, capacity development for technology transfer, and removal of specific barriers identified by the private sector and others. Depending on the barriers identified, GEF would finance public or private entities as appropriate. As the partnership would be open, no non-competitive advantages would be conferred on private participants. Examples include renewable energy markets in requesting countries where GEF can help countries develop an appropriate programmatic framework in consultation with the private sector -- leaving private firms free to compete in the usual way but in a transformed market;
- (c) International partnerships for the development of specific technologies under OP#7 (*Reducing the Long-Term Costs of Low Greenhouse Gas-Emitting Energy Technologies*) and OP#11 (*Promoting Sustainable Transport*);
- (d) Collaboration with interested private sector firms on the development of codes of corporate governance and behavior insofar as they relate to the global environment action. If successful, this could be entirely paid for by the private sector and have a powerful leveraging effect on private sector actions without having to spend GEF resources on the international private sector itself.

V. MAINTAINING INSTITUTIONAL EFFECTIVENESS

52. As the foundation for global environmental action and as a new model for international cooperation, GEF commits itself to continuously improving the effectiveness and efficiency of its own organization, relationships, and operations. To maintain its institutional effectiveness, GEF will continuously improve:

- (a) financial efficiency through application of the fee-based system and management of the corporate budget;
- (b) operational efficiency by streamlining its operations;
- (c) adaptive management by driving for results -- systematically monitoring and evaluating its operations and incorporating lessons into future operations; and
- (d) partner responsiveness by sharing more data and information.

FINANCIAL EFFICIENCY

The Fee-Based System

53. The fee-based system is an important enhancement of the financial management of GEF. The system took effect from July 1, 1999, replacing an earlier system of

administrative budget allocations that had to be negotiated annually with each Implementing Agency for its management of the project cycle for a planned work program of GEF projects. The fee-based system represents an important step forward by:

- (a) providing appropriate incentives to agencies for the preparation and implementation of GEF projects;
- (b) stabilizing overall operating costs;
- (c) reducing internal transaction costs;
- (d) establishing a common framework for the participation in the GEF of new agencies with different costing and budgeting systems; and
- (e) improving budget predictability.

54. In the implementation of the fee-based system, a flat-fee structure was developed on the principle that an Implementing Agency would recover its project implementation costs by fully accomplishing the planned numbers of each GEF project-type, in a typical annual work program. The experience of applying this fee structure during FY00 showed that the fee-based system can be further strengthened by establishing and agreeing upon:

- (a) definitions of appropriate standard project-types that would facilitate their definitive categorization for fee application purposes; taking into account that projects may encompass investment and technical assistance elements in varying combinations; and
- (b) a more direct and relevant relationship between a project's grant, complexity, duration, and its corresponding fee -- thus providing more appropriate signals for cost and portfolio management.

55. Based on this experience to-date, GEF Secretariat has begun, collaboratively with the Implementing Agencies, to explore methodologies that would further enhance the fee-based system in line with its stated objectives of transparency, simplicity and objectivity, cost efficiency and enhanced financial management effectiveness. The experience so far is that the fee-based system has progressed towards these objectives.

- (a) Project implementation costs are better managed with the fee-based system providing appropriate fee reference levels.
- (b) Budgets are more predictable than under the previous system because a project's lifetime fee is determined and assigned at the time of project approval. Thus, for both GEF and the agencies, the fee-based system provides budget certainty and facilitates better project financial management.
- (c) Importantly, the fee-based system has also established a common remuneration framework that has facilitated the participation in GEF of agencies that have different organizational and cost structures and thus operate very differently. The

expansion of opportunities to other executing agencies made it imperative to have such a common system of remuneration.

56. The fee system will continue to evolve both to reflect operational experience in the initial phase of its application and to further maximize the benefits that the system is delivering.

Corporate Services

57. GEF units¹⁹ now budget for their provision of corporate services (i.e., non-project direct). Corporate budgets for GEF units are substantiated in terms of the corporate services required for carrying out the overall policy agenda. The corporate services do not include any project or project coordination costs, as these are covered by the fee system. The categories of corporate service, which have been discussed extensively in previous Corporate Business Plans and Corporate Budget documents, currently cover:

- (a) Institutional Relations (e.g., work with other institutions required for the GEF mandate);
- (b) Policy and Program Development and Coordination (e.g., assistance through the interagency task forces on the Program Status Reviews, inputs and consultation on policy papers prepared for Council, and support for STAP; but not coordination of agency GEF programs or mainstreaming);
- (c) Outreach/Knowledge Management/External Relations (e.g., contributions to coordinated GEF outreach at project workshops, exhibitions, meetings and other opportunities; contributions to GEF publications);
- (d) Management & Finance (e.g., assistance with developing the fee system and establishing the corporate aspects of the project-tracking and management information systems of GEF; but not project management and coordination that is covered by fees);
- (e) Monitoring & Evaluation (e.g., assistance with developing GEF indicators and on the impact studies; but not individual project supervision and monitoring that is covered by fees).

58. Through the business plan period, this breakdown of corporate services will enable a more meaningful analysis of the allocated corporate budget and its relationship to implementation tasks covered by fees and to other activities budgeted under strategic partnerships. It will therefore facilitate more effective management of GEF resource demand and utilization. Agency analyses of the staff-activity time-data they collect will be useful inputs for a review of the coefficients used in the annual Corporate Budget and the fee structure. This activity-based cost management will help establish more

¹⁹ The six organizational units are: the GEF Secretariat (including the M&E team), the three Implementing Agencies, STAP, and the Trustee.

meaningful relationships between resource input, expenditures, and work program deliverables.

OPERATIONAL EFFICIENCY

59. GEF will continue to streamline its operations to increase impact and reduce costs. As a starting point, the GEF Project Cycle paper has been redrafted to incorporate all the subsequent understandings and Council decisions. These include decisions on the Operational Strategy, the Project Preparation and Development Facility, Medium-Sized Projects including the recently revised limits to delegated authority, targeted research, the role of GEFOP, the GEF Pipeline, the selective delegation of the review prior to CEO endorsement, the expansion of opportunities for selected executing agencies, and country involvement in incremental cost negotiations. Project Review Criteria have also been standardized in consultation with the Implementing Agencies. This updating is in accordance with Council's agreement, when approving the project cycle in 1995, "that the project cycle should be updated as necessary by the Secretariat to reflect any additional policies approved by the Council."

60. On June 8 and 9, 2000, senior staff of the GEF and the Implementing Agencies met in a retreat to decide on, among other things, further steps to streamline internal processing. Some of these decisions²⁰ have been implemented immediately, such as those on Implementing Agency accountability for the quality of documentation for Work Program inclusion, streamlined Secretariat reviews of PDF-B requests, and the integration of STAP work planning with demand-driven requirements of the GEF. A task force will shortly review, formalize, and monitor processing service norms and clarify programmatic approaches.

61. Council is also invited to consider a number of additional streamlining actions involving Council's own decision-making processes.²¹ These include shortened review periods and a further rationalization of the limits to delegated authority. Countries are also invited to consider the best practice in country coordination that has been reported by countries in a recent workshop.

ADAPTIVE MANAGEMENT

62. GEF is a learning-based institution: its operational principles require it to ensure that its programs and projects are monitored and evaluated on a regular basis, to maintain sufficient flexibility to respond to experience gained from monitoring and evaluation, and to emphasize its catalytic role.²² Although it is distributed among the various GEF units and partners, responsibility for this overall agenda is quite central to achieving and measuring impact.

²⁰ See *Driving for Results in the GEF: Streamlining and Balancing Project Cycle Management*, GEF/C.16/5.

²¹ *Ibid.*

²² See *Operational Strategy*, p.2. Operational principles 10, 5, and 9 respectively.

Additionality

63. As with other corporate functions in the GEF, responsibility for adaptive management tasks is distributed according to the principle that they add value to existing activities and is integrated in the corporate GEF.

- (a) Primary responsibility for project quality rests with the agencies managing the project cycle. Monitoring and evaluation systems exist in the agencies and the GEF fee covers their additional project monitoring and evaluation costs.
- (b) The Secretariat has responsibility for the strategic direction of GEF and a role in monitoring the development of the overall programs. Each new concept is carefully compared to project review criteria that incorporate the GEF-specific aspects, and each year the Secretariat also prepares Program Status Reviews. The Secretariat also ensures that the policies and standards of the GEF are consistently met by each agency and that the specific aspects of the GEF (e.g., programmatic impact, replication, and incrementality) are monitored and evaluated on a GEF-wide basis.
- (c) STAP too has a role, which is distinct from but complementary to that of Secretariat's M&E team. STAP through its selective reviews of projects evaluates the treatment of scientific and technical capacity, the use of scientific and technical indicators and monitoring techniques, the advancement of science achieved through GEF projects. STAP also helps to monitor the strategic direction of Operational Programs.
- (d) Independent evaluators are appointed periodically to assess the overall performance of the GEF.

Integration

64. Specific priorities for adaptive management can arise at different levels. Individual project issues are usually identified and dealt with by the agency responsible; broader portfolio issues are identified by the Secretariat including the M&E team; and independent teams may identify GEF-wide issues for the Overall Performance Studies. It is therefore necessary to ensure integration of the work planning for all these actors. This is currently achieved through several annual processes:

- (a) the annual Project Implementation Review, conducted by the M&E team with inputs from the rest of the Secretariat and based on agency reports on projects that have been under implementation for at least one year. The PIR provides inputs to the following year's Program Status Reviews, below;
- (b) the annual Program Status Reviews, conducted by the Secretariat in consultation with the Implementing Agencies through interagency task forces and with STAP at their fall meeting, and from which broad issues are identified for the annual Corporate Business Plan;

- (c) the annual Corporate Budget, wherein the various corporate services of all agencies contributing to this and other tasks are identified and costed for the ensuing year.

65. Currently, and extending into the business plan period, there are three major considerations affecting this entire agenda.

Second Overall Performance Study

66. One is the recurrent requirement for the Overall Performance Evaluation of the GEF. The first was completed in 1998, to assist the negotiations on the Second Replenishment and the First Assembly in April 1998; the second such study will commence later this year in preparation for the Third Replenishment and the Second GEF Assembly to be held in China in October 2002. Preparatory impact assessment work will be conducted by the GEF, and the corporate M&E activities of the Secretariat, the Implementing Agencies, and the STAP will focus on these studies. Where practicable and necessary, longer-term monitoring and evaluation work will be postponed until these corporate preparations are complete. The M&E team will lead the impact studies in three focal areas (the study for ozone depletion having already been completed), STAP will provide strategic advice on the science and technology and undertake supportive selective reviews and the rest of the Secretariat and the IAs will provide input.

Driving for Results

67. The second consideration concerns the necessary shift from an “approvals culture” to one based on “driving for results,” one that emphasizes ongoing responsibility for adaptive management rather than initial document quality. In the earlier phases of the GEF, an emphasis on project development was obviously appropriate. Now with a maturing portfolio of almost 700 projects, it is more necessary to ensure quality implementation so that impact will be achieved and sustained. The CEO drew the attention of Council to the need for this shift of operational emphasis in May 2000, and has discussed it with GEF and IA staff at the retreat in June 2000. This shift will bring the GEF much closer to its original mandate and principles, but will have some immediate work planning implications. The most important one is agreement with the Implementing Agencies on having selective Secretariat-managed ex post project reviews, based on the GEF Project Review Criteria and coordinated with Implementing Agencies to maintain complementarity of roles and clear separation from the function of the Project Implementation Reviews. The triggers for such reviews, the standard terms of reference, the coordination requirements, the modalities for how this will be accomplished in a way complementary to the Implementing Agency’s own project management processes, and the necessary staff training and preparation will be discussed with each of the agencies. Over the business plan period, such reviews are expected to become an increasingly important means to provide timely inputs to the agencies’ own corrective measures and their adaptation of projects to changing circumstances so that global environmental benefits can be maximized.

Systems, Indicators, and Reviews

68. The third consideration is the longer-term agenda to integrate the Implementation Quality Reviews into the whole suite of management planning and M&E systems. In the business plan period additional work will be required to build on progress already made in the following areas.

69. *Systems*

- (a) The M&E team has drafted monitoring and evaluation standards and guidelines, and these are being discussed with the Implementing Agencies. Upon finalization, the M&E Team will ascertain that the GEF agencies are meeting these standards and guidelines.
- (b) In May 1999, Council decided that all GEF projects were to have project completion, evaluation, or assessment reports and that these reports were to be publicly accessible. At the staff retreat, representatives of all IAs agreed to further integrate GEF projects into mainstream quality review processes. The CEO will request the Heads of Agency to allow GEF project completion reports to be made publicly available.
- (c) The Finance and Administration team in the Secretariat will lead the effort to identify common project implementation tasks (and incorporating those identified by the M&E work above). This work will be needed for several purposes: to form the framework of the project-tracking system and to ensure common treatment of all agencies with respect to the tasks for which fees are payable.

70. *Indicators.* An important part of the M&E's work program is the identification, testing, and use of indicators for the operational programs.²³ Program indicators have been developed for biodiversity and climate change focal areas, and substantial work will now commence on identifying program level indicators for international waters. Progress on this will be monitored on an annual basis throughout the business plan period and beyond. It is envisaged that there will be further discussions and testing of the validity and reliability of the selected indicators throughout the period. The Secretariat program teams will systematically incorporate these indicators in the Program Status Reviews. STAP's own work plan includes the development of scientific indicators and proposals for making cost-effective use of existing advanced monitoring systems, including remote and satellite-based systems.

71. *Reviews.* High quality reviews and evaluations that are timely and objective will improve planning, program management, and project design. This will require a high degree of participation and systematic feedback. In the business plan period there would

²³ All individual projects have their own project level indicators, which are incorporated into the project's logical framework.

continue to be annual Project Implementation Reviews (PIRs) and occasional program, thematic, and crosscutting evaluations.

RESPONSIVENESS TO CLIENTS

72. GEF is a bold international experiment. Its unique structure and the diverse, open, and transparent partnerships that it is pioneering require many new management techniques. Modern information (particularly web-based) technologies can underpin this structure and these partnerships in ways never before possible, and it is now absolutely vital for GEF to develop and integrate its information systems in such a way as to support its partners, global mandate, unique international structure, and specific strategic priorities.

73. The GEF differs from traditional, more inwardly focused institutions in that it works for sustainable impact by consciously developing the capacity of its main partners – the recipient member countries. GEF works through and supports a wide variety of other external partnerships all over the world and operates in complete transparency, disclosing all non-confidential information.

74. To increase its responsiveness to client needs, GEF is establishing a transparent accessible project-tracking system and expanding its communication and outreach, including the dissemination of M&E lessons.

Information Management Strategy

75. GEF would make better use of the vast amount of information available to it and to its partner agencies. The development of an integrated and accessible database and a transparent project-tracking system would:

- (a) support GEF internal decision-making;
- (b) provide clients with immediate and transparent information about the processing status of their proposals;
- (c) provide continuously updated reports of project implementation such as that currently reported in the *Operational Report on GEF Programs*;
- (d) disseminate operational, scientific, and technical information and lessons drawn from the GEF portfolio;
- (e) identify for donors the opportunities for co-financing GEF projects and for providing complementary support within an overall program of action; and
- (f) provide a resource for stakeholder dialogue and involvement.

76. GEF's information management strategy will provide its member countries, clients, external partners, and other stakeholders with ready access to:

- (a) comprehensive and integrated operational and financial data on GEF projects (e.g., portfolios, pipeline and project information, project status, geo-reference data, project documents, performance indicators, updates on implementation progress);
- (b) information about the involvement of other similar specialized organizations and agencies;
- (c) scientific, technical, and project data; and
- (d) an electronic forum to enable stakeholders to share, develop, and generate information and ideas.

77. The GEF Secretariat, in close collaboration with the Implementing Agencies and other partners, will implement the strategy. It will be built on the following four foundations:

- (a) a central database repository of all GEF project and project-related data and documents: the *Project-Tracking Management Information System*;
- (b) an efficient data search and analysis gateway with interfaces and linkages to GEF and non-GEF data sources: the *Project-Tracking Mapping System*;
- (c) an internet forum; and
- (d) a general access internet web-based portal: the *gefweb* internet-site.

Outreach and Communications

78. The broad thrust of outreach and communication strategy²⁴ is to provide information in support of

- (a) countries (e.g., material prepared for Country Dialogue Workshops and material supplied to country focal points to assist national and constituency coordination efforts);
- (b) conventions and other forums of international cooperation (e.g., displays and other information on GEF);
- (c) feedback on lessons learned through the M&E efforts, including good practice material and summaries of focal area and cross-cutting portfolios ;
- (d) partners (e.g., holding two GEF Staff Familiarization Workshops per year for new staff in GEF units and partner organizations.

79. Two continuing corporate themes will be:

²⁴ General categories of activity were described in the *Corporate Budget FY01*, GEF/C.15/5.

- (a) the integration and rationalization of the GEF family of publications -- including IA, STAP, M&E and other Secretariat publications;
- (b) the preparation of clear guidelines to gain more consistent acknowledgement of GEF financing in project activities. These would be incorporated in the effort to identify implementation tasks and establish service norms (see paras. 56d).

PLANNED RESOURCE ALLOCATIONS OVER THE BUSINESS PLAN PERIOD

80. Planned resource allocations for projects depend on aligning three main factors: (i) country-driven demand for GEF support given the country absorptive capacity; (ii) the delivery capacity of the GEF system; and (iii) the timely availability of financial resources.

81. The following factors currently affect the demand for GEF resources:

- (a) steady expansion in the biodiversity and the continued search for growth in delivery capacity for climate change projects;
- (b) a change in the funding profile in international waters as earlier work matures and new priorities emerge;
- (c) country requests for support in new or expanding areas such as integrated ecosystem management, capacity development, and phase-out of POPs;
- (d) a steep decline in ozone projects as eligible countries within the GEF strategy complete the phasing-out ozone-depleting substances over the next few years;
- (e) some expansion in small grant projects resulting from gradual increases in the countries participating in the *GEF Small Grants Programme* and in the activities within each country;
- (f) stabilization in the growth of MSPs; and
- (g) continued demand for Enabling Activities.

82. Actual growth has varied from year to year in the various focal areas. Compared to FY98 (a reasonably typical year), annualized growth in biodiversity was strongly positive in both FY99 (29 per cent) and FY00 (18 per cent). In climate change, the picture is more erratic, with a sharp dip in FY99 (- 22 per cent) followed by a strong recovery on the basis of a number of large projects in FY00 (21 per cent p.a. over FY98). International waters, ozone, and multifocal areas were up sharply in FY99 and down again in FY00 as expected on the basis of individual projects under preparation. But these areas have small total allocations that vary considerably on the basis of a small number of projects. (GEF ozone activity is being completed.)

83. Delivery capacity has been expanded through the selective provision of opportunities to executing agencies (ADB, AfDB, EBRD, FAO, IADB, and UNIDO) to manage the GEF project cycle for specific projects, and through strategic partnerships and programmatic approaches with the Implementing Agencies.

84. Resource allocations should be able to continue growing at the previously expected rate of 15 per cent per year. This is broadly consistent with realized growth in demand, with additional effort put into identifying country-driven opportunities in climate change and into managing the international waters portfolio. It is also consistent with the growth in delivery capacity. A major corporate challenge though will be to monitor overall growth in the allocations, fees, and other costs and to integrate the Trustee's efforts for securing timely financial contributions with the Secretariat's advance programming with the agencies for planned commitments in the focal areas.

Project Allocations and Fees

85. The expected overall resource allocations required to support these growth projections in GEF's work program, over the business plan period, are summarized in the Table 2. The proportions of the Work Program attributable to the Implementing Agencies may be affected by shifts in their regular work program priorities and by the extent to which they develop operational partnerships with other executing agencies.

Cost of Corporate Services

86. The GEF FY00 Corporate Budget established a reference service level for the corporate management activities to be delivered by the six GEF corporate units – the three Implementing Agencies' GEF-Coordination Units, STAP Secretariat, Trustee and GEF Secretariat – and the associated budgetary resources. Resource requirements will be influenced by the changing nature of work including efficiency gains achieved through GEF streamlining and the respective Implementing Agency's parent organization.

Non-Recurring Costs

87. In addition, there are emerging but non-annual resource requirements for the Second Overall Performance Study of the GEF (OPS2), the Third Replenishment, and the Second GEF Assembly. These will be budgeted for separately in the decision papers prepared for Council consideration.

Table 2: Planned Resource Requirements

Program	FY98 ^a	FY98 ^b	FY99 ^c	FY99 ^b	FY00 ^c	FY00 ^b	FY01 ^d	FY02 ^d	FY03 ^d	FY04 ^d
	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.	Proj.	Proj.	Proj.
OP#1	23	42	20	32	40	43				
OP#2	34	21	20	68	60	27				
OP#3	59	60	70	72	60	102				
OP#4	21	13	15	16	15	35				
OP#13	N/A	N/A	N/A	N/A	0	0				
EA-B	13	9	7	5	15	2				
STRM-B	5	5	4	0	5	0				
<u>Biodiversity</u>	155	150	136	193	195	209	215	230	275	325
OP#5	39	43	40	40	55	39				
OP#6	112	59	40	3	60	71				
OP#7	48	0	33	48	35	50				
OP#11	N/A	N/A	0	N/A	0	15				
EA-CC	9	12	3	6	15	9				
STRM-CC	8	21	3	9	4	14				
<u>Climate Change</u>	216	135	119	106	169	198	215	230	275	325
OP#8	18	22	20	47	40	34				
OP#9	29	25	50	38	35	11				
OP#10	31	7	25	32	15	4				
<u>International Waters</u>	78	54	95	117	90	49	100	100	100	100
<u>Ozone</u>	23	13	35	35	6	8	5	0	0	0
OP#12^e	N/A	N/A	N/A	N/A	0	1	20	40	50	60
Other	3	4	35	37	20	29	25	30	30	30
<u>Multifocal</u>	3	4	35	37	20	30	35	50	70	90
TOTAL	475	355	420	488	480	493	580	630	730	840

a. GEF Corporate Business Plan FY98-FY00

b. Secretariat database

c. GEF Corporate Business Plan FY00-FY02.

d. Trend based on overall demand growing at about 15 per cent p.a., biodiversity and climate shares historical shares, international waters on planned amounts, and ozone based on expected phase-out of activities.

e. Tentative plan, to be revised on the basis of operational experience and country demand. Some of this growth is likely to encompass activities that would otherwise have been proposed in individual focal areas.