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DRAFT GEF-5 PROGRAMMING DOCUMENT

EXECUTIVE SUMMARY

The Draft GEF-5 Programming Document, prepared by the GEF Secretariat presents, inter-alia: (i) focal area strategies, including GEF's role in chemicals; (ii) strategy to enhance engagement with the private sector; (iii) corporate programs strategy and (iv) a results-based management framework, including monitoring and reporting on results.

The fifth replenishment period is expected to cover GEF operations and activities for the four years covering July 1, 2010 to June 30, 2014. The overall approach to programming builds on achievements during the first four phases of the GEF, and the refinements made in the focal area strategies during GEF-4. Overall, the GEF-5 focal area strategies reflect the strategic positioning for GEF-5, a move towards transformational scale-up of activities, and the associated GEF-5 replenishment target.

While the GEF has been replenished with over \$10 billion in its 15-year history, and leveraged these resources four times, the demand for resources to meaningfully tackle global environmental problems are estimated at hundreds of billions of dollars, a sizeable share of which is expected from governments. Therefore, at the outset, it is important to target for GEF-5 replenishment an amount that is a significant increase, but at the same time manageable for the GEF partnership over the next four years.

In considering targets for replenishment, three levels were considered. The current level at about \$3.13 billion does not provide an adequate level of resources necessary if the GEF is to expand the scope of the resource allocation system; moreover, adaptation funding would continue to languish at the current inadequate levels. A replenishment target of \$5 billion, while an increase in nominal terms, would keep the GEF at about GEF-2 levels in inflation-adjusted terms, and would, in real terms, represent business-as-usual with no significant increase possible in any area of activity. A target of \$10 billion provides room for significant increases in activities across the board with the potential for transformative engagements, particularly in climate change mitigation and adaptation. It also provides room for potential expansion of the scope of the resource allocation system. Therefore, the programming strategies outlined in this document are targeting an overall GEF-5 replenishment target of \$10 billion, including \$1 billion for the concomitant replenishment of the Least Development Country Fund (LDCF) and the Special Climate Change Fund (SCCF).

An approach to funding is proposed that will provide opportunities for supporting transformational programs in several countries with the objective of generating significant global impacts, comprised of: (i) support to countries to prepare *National Plans for Generating Global Environmental Benefits* that will serve as a guide for seeking GEF support; (ii) a *Sustainable Forest Management Program* that will combine resources and objectives in more than one GEF-focal areas and provide countries with additional resources on top of their respective country allocations; and (iii) additional resources to countries that choose to employ non-grant resources in any of the GEF focal areas.

Complementing the focal area strategies is an approach to further enhancing the engagement with the private sector, building on the Earth Fund established together with the IFC in GEF-4.

It is proposed that the Earth Fund be further strengthened with infusion of another \$500 million during GEF-5 with the objective of leveraging over \$3 billion from the private sector and seeking long-term financial sustainability.

Supporting the focal area strategies is a revised approach to Corporate Programs, shaped around each country's *National Plans for Generating Global Environmental Benefits*. To facilitate such an approach, it is proposed that the *National Dialogue Initiative* be incorporated into the *Country Support Program*. A highlight of the cross-cutting capacity development strategy is the development of a GEF project management curriculum in collaboration with local/regional universities in recipient countries. The successful Small Grants Program will be further strengthened with the upgrading of mature country programs in GEF-5. The role of civil society organizations, both in the national planning exercises, and in project implementation will be strengthened. The incipient conflict resolution mechanism, established at the Secretariat in GEF-4, will be provided with a more formal structure and elements in GEF-5.

Underpinning all of the above is the GEF Results-based Management Framework that aims to link the focal area and corporate program objectives to four strategic corporate goals of the GEF, and strengthen the monitoring and knowledge management functions in the GEF.

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INTRODUCTION

1. At the First Meeting for the Fifth Replenishment of the GEF Trust Fund, held in Paris during March 17-18, 2009, Contributing Participants requested, among other documents, a draft GEF-5 Programming Document for discussion at the Second Meeting of the Fifth Replenishment scheduled for June 2009, covering, inter-alia: (i) focal area strategies, including GEF's role in chemicals; (ii) a strategy to enhance engagement with the private sector; (iii) corporate programs strategy, and (iv) a results-based management framework, including monitoring and reporting on results.

2. This document, prepared by the GEF Secretariat, presents the above-mentioned items. During the writing of this document, drafts were shared with the GEF Agencies, the Evaluation Office, Trustee, and the GEF-NGO network, and comments received are posted on the GEF website.

PROGRAMMING FOR GEF-5

3. After restructuring in 1994, the GEF Trust Fund was replenished (GEF-1) at \$2.0 billion for 4 years. In 1998, the Trust Fund was replenished at \$2.75 billion (GEF-2, 1998-2002); in 2002, donors committed \$3 billion to GEF-3 (2002-2006); and in 2006, contributing Participants committed \$3.135 billion to GEF-4 (2006-2010). Negotiations on the Fifth Replenishment of the GEF began in March 2009.

4. The Fifth Replenishment period is expected to cover GEF operations and activities for the four years covering July 1, 2010 to June 30, 2014. The focal area strategies are built on work undertaken by the Technical Advisory Groups (TAGs)¹ established by the CEO and on feedback received from the GEF Agencies and other stakeholders.

5. The overall approach to programming in GEF-5 will build on achievements in the first four phases of the GEF and the refinements made in the focal area strategies during GEF-4. These strategies, while continuing to address the main objectives of the conventions, are designed to be supportive of the sustainable development needs of recipient countries in their pursuit of the millennium development goals, particularly goal #7 on environmental sustainability.

6. Overall, the GEF-5 focal area strategies reflect: (i) the strategic positioning for GEF-5; (ii) a move towards a transformational scaling-up of activities; and (iii) the associated replenishment target for GEF-5.

¹ The TAGs are comprised of experts selected by the Secretariat from research institutions and NGOs, STAP panel members, and experts representing the various conventions. The TAGs have been active since January 2009.

Strategic positioning for GEF-5

7. The strategic positioning for GEF-5, as first outlined in GEF/R.5/7/Rev.1, and discussed at the March 2009 Replenishment Meeting, proposes: (i) six strategic elements for GEF-5; and (ii) reforms in five interconnected areas. While the strategic elements and the reforms described in the following sections have been modified to reflect feedback from Contributing Participants at the March 2009 Replenishment Meeting, by and large they reflect the views of the Secretariat.

Six Strategic Elements

8. The GEF should continue to evolve as the pivotal operating entity of the financial mechanism of the major global environmental conventions. The GEF should continue to provide assistance to a larger number of countries compared to other sources of financing; provide a comprehensive approach through a combination of investment, technical assistance, and scientific assessment; and provide an integrated approach linking different conventions and focal areas.

9. The GEF should build on its track-record as the coordinator and/or manager of several funds, particularly with the management of several funds entrusted to it under the UNFCCC.

10. The GEF should clarify the application of GEF tools with regard to grant and non-grant mechanisms, choosing the mix of these instruments to support investments of a transformative scale.

11. The GEF should remain on the cutting edge of innovation, catalyzing and supporting innovative technologies and policy reforms towards the objective of enabling replication and scaling-up, including through other sources of financing.

12. The GEF should expand engagement with the private sector, building upon advances made in GEF-4 through the Earth Fund. Expansion of private sector engagement and contributions to the GEF may require reforms in GEF governance to provide private sector representation.

13. Finally, the GEF should refine its approaches in the focal areas to reflect the emerging scientific and policy understandings.

Five Reform Areas

14. Enhance accountability to the conventions through several consultative mechanisms, and a proposed reform of the governance structure – establishing a two-tier structure with the GEF Council responsible for overall governance, institutional policy, and synergies among focal areas and focal area boards (in which conventions and other stakeholders would participate) responsible for focal area strategies and programming.

15. Improve responsiveness to recipient countries by developing a more flexible resource allocation system; aligning programming with country needs and priorities based on systematic, transparent, and participatory processes; providing assistance through programs that will have a transformative impact rather than projects; providing access to GEF resources to additional

qualified international agencies/organizations and piloting direct access to qualified national agencies/organizations; reducing transaction costs; trimming overhead costs; tailoring the project cycle to capacities of agencies; and introducing a competitive scheme for selection of agencies to implement GEF-financed projects.

16. Better track and deliver results through continued implementation of the GEF Results-based Management Framework, managing performance, measuring results with standardized approaches and fostering learning.

17. Strengthen the funding base by flexible arrangements in the GEF Trust Fund geared towards: (i) accepting earmarked contributions from Participants between replenishment cycles; and (ii) resolution of governance issues related to the acceptance of resources from other contributors such as the private sector and foundations. The GEF should also be ready to accept resources that may become available due to the establishment of innovative funding mechanisms at multilateral environmental conventions, etc.

18. Reform the institutional and governance framework to position the GEF to undertake the above-mentioned reforms. In particular, the GEF Secretariat should be endowed with some legal capacity so as to be in a position to cover its financial risks and be able to enter into contracts directly.

19. The GEF-5 programming approach is more closely connected with three platforms of the proposed strategic positioning as follows:

- (a) Closer to conventions: The revised focal area strategies reflect the emerging guidance from the conventions, including anticipation of the directions of the conventions in the immediate future; moreover, it is proposed that GEF projects may be financed on the basis of national plans for generating global environmental benefits (financed with GEF resources).
- (b) Closer to countries: For consideration is a proposal that countries be provided direct access to GEF resources in a pilot phase and that countries be provided a greater selection of GEF Agencies and other qualified national organizations with which to implement projects. Moreover, it is suggested that most resources be committed through programs rather than projects.
- (c) Results-oriented: Revised focal area strategies have clearly identified output and outcome indicators so that progress towards results can be measured during GEF-5.

20. Details of the remaining platforms of the proposed strategic positioning are provided in GEF/R.5/15, *Institutional, Governance and Policy Reforms for GEF-5*, presented for discussion at the June 2009 Replenishment meeting.

Transformational Scaling-up of Activities

21. Four replenishments and the pilot phase have provided a total of over \$10 billion over the 15 year history of the GEF. Having leveraged these resources four times over, the GEF, along with its partner Agencies, established a strong track-record over the last 18 years of catalyzing

innovative approaches covering investment, technical assistance, and scientific assessment, and of helping developing countries generate global environmental benefits in the context of national sustainable strategies.

22. To place GEF activities in perspective, the demand for resources to meaningfully tackle global environmental problems are estimated at hundreds of billions of dollars. To deal with climate change mitigation, for example, it is estimated by the UNFCCC that \$200 billion per year will be required by 2030 as additional investment, half of it in developing countries, for new low-emission technology, if emissions are to be reduced by 25 percent of 1990 levels. Moreover, new technologies will need to be developed and implemented to achieve emissions reductions beyond 2020. The EGTT interim report on funding for new technologies estimates an additional \$300 billion to \$1 trillion a year. To reverse rapid degradation of natural resources and to preserve ecosystem services, estimates from intergovernmental and major international processes run as high as \$50 billion per year.² The assessment of funding needs of developing countries and countries with economies in transition conducted by independent experts under the Stockholm Convention estimates \$4.5 billion for the period 2010-2014. This is in addition to largely unmet needs of \$3.4 billion for the period 2004-2009 – and these only for the 66 countries that had submitted their national implementation plan at time of the analysis.

23. Therefore, it is important to target for the GEF-5 replenishment an amount significant enough to be responsive to funding needs. The replenishment must be manageable for the GEF partnership over the next four years while setting the stage for increasingly more robust replenishments subsequently. A significant increase in replenishment is essential to ensure that the GEF performs as a credible financial mechanism in fulfilling its current mandate with respect to the various conventions and is also geared to undertake additional mandates that may emerge. The programming strategies for GEF-5 reflect this up-scaling of activities and are in line with convention obligations and guidance. Collectively, they are targeting an overall GEF-5 replenishment of \$10 billion,³ which reflects the capacity of the GEF partnership to grow over the next few years to deliver to countries without compromising on efficiency and overall delivery quality.

24. An approach to funding is proposed that will provide opportunities for supporting transformational programs in several countries, which in turn are bound to generate significant global impacts. The steps to the approach are outlined below:

- (a) National Plans for Generating Global Environmental Benefits. All recipient countries will be provided with GEF resources to prepare *National Plans for Generating Global Environmental Benefits* as a guide for seeking GEF support. These plans will be prepared by national steering committees, coordinated by the GEF operational focal point, and shall link with other planning process in the country, including any planning processes of GEF Agencies.⁴ Principles of

² UNEP/CBD/WG-R1/2/INF/4, *Review of Implementation of Articles 20 and 21: Review of the availability of financial resources*, June 28, 2007.

³ Including \$1 billion for the replenishment of the Least Development Country Fund and the Special Climate Change Fund managed by the GEF as detailed in GEF/R.5/12.

⁴ Preparation of National Plans for Generating Global Environmental Benefits is not a requirement for obtaining GEF grants. If countries have other plans that are already prepared towards this objective, then those plans could be submitted to the GEF.

transparency and inclusiveness of national partners, including community service organizations, will be encouraged. Countries with a combined allocation above \$20 million will be provided with GEF resources to prepare national plans separately in the thematic areas of natural resources management, climate change, and chemicals, while other countries will prepare national plans covering all focal areas. The national plans will be shared with the respective conventions for public disclosure. The national plans could be used as a basis for supporting transformative programs, as outlined below. For details refer to Corporate Programs Strategy on page 35.

- (b) Transformative Programs in Sustainable Forest Management. Countries that prepare national plans embodying a programmatic approach or major multi-focal area projects that combine resources and objectives in more than one of GEF's focal areas of biodiversity, climate change, international waters, and land degradation, aiming for a transformative impact in sustainable forest management, will receive additional resources as incentives on top of their respective country allocations. For details, refer to paragraphs 88 to 96.
- (c) Transformative Programs Employing Non-Grant Instruments. Countries that propose to employ non-grant resources to prepare national plans and propose programmatic approaches in any of the GEF focal areas will receive additional resources (also employed with non-grant instruments) for such programs in addition to their country allocations. For details see Annex 1 on the *Use of Non-Grant Instruments with Public Entities*.

FOCAL AREA STRATEGIES

25. The focal area strategies are presented in the context of a results-based management framework for the GEF, and cover: (i) biodiversity; (ii) climate change mitigation; (iii) international waters; (iv) land degradation; (v) chemicals, including POPs and ODS, and (vi) sustainable forest management.

Focal area strategies are presented in two parts. In the main document, results frameworks for the different focal areas and cross-cutting areas are presented. These focal area results frameworks include outcome indicators and targets that can be aggregated to the portfolio level in support of GEF goals as indicated in

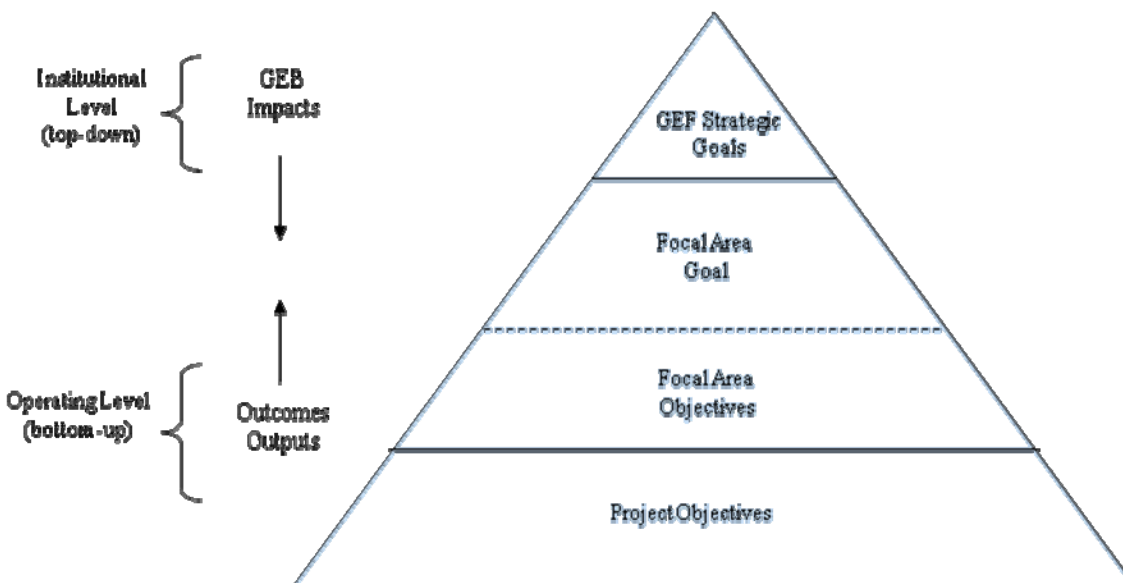
26. Figure 1. Detailed focal area strategies, supporting the results frameworks, are compiled in an information document, GEF/R.5/Inf.3, *Draft Focal Area Strategies for GEF-5*.

27. The implementation of focal area strategies for GEF-5, and the tracking of their implementation through the results frameworks, will be closely aligned with managing performance, measuring results with standardized approaches, assessing risk on an on-going basis, and fostering learning. Results-based management (RBM) has been on the GEF agenda for several years, is codified in GEF policy, embedded in focal area strategies and helps to drive reporting.

GEF Results Architecture

28. The proposed results architecture presented in this section identifies corporate level strategic goals, with a few well-selected indicators and targets aligned to the conventions and the MDGs. Specific focal area goals and objectives are aligned to a strategic goal.

Figure 1: GEF Results-Chain



GEF Strategic Results

29. The GEF enables countries to deliver agreed global environmental benefits and services, and to support global environmental conventions through four Strategic Goals. These four strategic goals cover all activities under the mandate of the GEF, including the LDCF and SCCF that respond almost exclusively to the goal to deal with adaptation.

GEF Strategic Goals⁵

1.1 - Strategic Goal 1 -- Conserve, sustainably use, and manage ecosystems and natural resources globally, taking into account the anticipated impacts of climate change	Target
Indicator(s)	
1.2 - Strategic Goal 2 – Reduce global climate change risks by: 1) stabilizing atmospheric GHG concentrations through emission reduction actions; and 2) assisting countries to adapt to climate change, including variability.	
Indicator(s)	
1.3 - Strategic Goal 3 -- Eliminate chemicals that affect the health of humans and global environments	
Indicator(s)	

⁵ Strategic Goals: Corporate environmental goals showing contribution to conventions, the MDGs and incremental global environmental benefits, leading to a positive, measurable and sustainable change in the environment or behavior at impact level, ideally to be aligned with PRSPs and UNDAFs.

1.4 - Strategic Goal 4 - Build national and regional capacities and enabling conditions for global environmental protection and sustainable development	
Indicator(s)	

The Imperative of an Integrated Approach to Global Environmental Goods

30. One of the major strengths of the GEF as a financial mechanism is its ability to support activities in recipient countries that, within the context of their sustainable development needs, can meet their commitments to more than one global convention. Therefore, even while strategies are articulated focal area by focal area, project design and implementation approaches can readily seek synergies and connections across the different focal areas reflecting the actual needs of recipient countries. This flexibility is supported by harnessing the implementation capacity residing within the GEF network of Agencies.

31. The climate change problem is well articulated, and has finally caught the attention of decision-makers at all levels. In its wake there is a series of other complex interacting drivers impacting natural systems – in particular biodiversity, forests, land, and water. Widespread changes are starting to systematically affect the provision of ecosystem goods and services, from climate stability globally and regionally all the way to local services on which rural and coastal communities depend for their survival and livelihood on a daily basis.

32. The progressive deterioration in the provision of ecosystem goods and services is being triggered by natural resource management decisions, human population growth and growing per capita consumption, and is aggravated by climate change. For example, land degradation already affects about 2.6 billion people across more than 100 countries. Degraded land is costly to reclaim and, if severely impacted, diminished ecosystem functions lead to a loss of environmental, social, economic and non-material benefits that are critical for society and for its development options. For example, the financial loss due to land degradation in Latin America and the Caribbean is estimated to be more than 27 billion dollars annually.

33. Access to food and water is threatened in many countries to such an extent that it is emerging as a problem of global proportions, while the competition for access to transboundary water resources has become a national security issue for several nations. With 85% of water use in some countries now being devoted to agriculture, management of hydrological resources represents a critical step in addressing food security. Without it, one billion people and more will still drink from contaminated sources, and hundreds of millions more will continue lacking water for their crops because of upstream over-utilization of irrigation and other uses.

34. These are not theories about the future. For instance, there are already many transboundary groundwater, river, and lake basins subject to intense conflicts over water use and fisheries depletion. Water, environment, and community security is at risk in these basins, as river flow and aquifer levels are depleted and community livelihoods, food sources, and health are impacted. These multi-country tensions over water resources are being worsened by an increase in extreme events such as floods and droughts and, for example, by the loss of glaciers in South America and South Asia induced by climate change. Conversely, better natural resource

stewardship and water resource policy reforms can lessen the social and economic impact of political turmoil events, or even prevent them from happening in the first place.

35. The situation for the oceans has been equally serious. Seventy-five percent of marine fish stocks have been depleted, over-fished, or fished at capacity. With this level of exploitation, their productivity has been reduced, fish species composition has been dramatically altered, and fishing effort has increased further in futile attempts to maintain catches under the same levels of return. A recent analysis from the World Bank and FAO calculated an annual loss of about \$50 billion arising from depleted fish stocks and poor fisheries management, with a cumulative trillion dollar economic loss during the last 30 years arising from destructive economic incentives. With coastal ocean temperatures documented to be warming 3-5 times more rapidly than IPCC projections, there is no time to waste if reductions in coastal livelihoods, food security, exports and economic growth are to be reversed. This finding is not exclusive to the impacts in the marine realm; it is widely accepted that the overall costs and risks of climate change will far exceed the cost of action to mitigate emissions over the next few decades.

36. While the more recent focus of the international community is on climate change, the progressive depletion of nature's assets is reflected symptomatically in the mounting loss of biodiversity – estimated at 100 to 1000 times the historical extinction rates. The Millennium Ecosystem Assessment, a major global effort to assess the consequences of ecosystem change for human well-being and to establish the scientific basis for actions needed to conserve and sustainably use ecosystems, reported in 2005 that 60 % (15 out of 24) ecosystem services are being degraded or used unsustainably. Ecosystem loss and degradation of this magnitude, compounded by climate change, further accelerates the loss of species, reduces current and future services to societies, and disproportionately impacts poor people. Unless conservation actions are stepped up in the near future, we may be well beyond the threshold limits of no return for many of the components of biodiversity, the only global environmental good whose loss is irreversible.

37. Intergovernmental and major international processes have generated cost estimates for reversing these trends that run as high as \$50 billion per year.⁶ The Economics of Ecosystems and Biodiversity (TEEB) study estimates that while per capita “GDP of the poor” in India is estimated to be about \$95 capita per annum after including ecosystem services, if these services were denied, then the cost of replacing lost livelihood, equity adjusted, would be 50 percent higher. Conversely, the costs of conservation compare in extremely favorable ratios with the benefits they provide. For example, it has been calculated that for an annual investment of US\$ 45 million directed towards protected areas – around a sixth of that needed to manage protected areas worldwide – we could continue to secure ecosystem services provided by protected areas worth some US\$ 5 trillion (a benefit-cost ratio of 100:1).

38. In essence, wherever we look, it becomes increasingly evident that in the long haul protecting and sustainably managing natural capital is not only a very worthwhile economic investment, but vital to keeping open future human development options. The GEF strategies for the next replenishment cycle reflect this realization and are built upon the experience

⁶ UNEP/CBD/WG-R1/2/INF/4, *Review of Implementation of Articles 20 and 21: Review of the availability of financial resources*, June 28, 2007.

accumulated over the past 18 years of funding projects and programs across the various focal areas that are integral to the sustainable management of global environmental goods and natural resources.

39. The GEF is well positioned to tackle these challenges in an integrated way because of the existing inter-linkages between its focal areas. For example, climate change directly affects biodiversity and desertification. The more intense and far-reaching climate change is, the greater will be the loss of plant and animal species, and the more forests and other types of vegetation will be lost or left to deteriorate. Deforestation acts synergistically to amplify the effects on climate change. At the same time, the responses to threats also can be related, and can often be implemented in conjunction, such as by harnessing the roles of forests in climate change adaptation and in maintaining the resilience of natural systems.

40. For GEF-5, the climate change mitigation strategy has been proposed to help veer developing countries and economies in transition toward a low-carbon development path. This goal will be tackled by promoting the adoption of low-carbon technologies, market transformation in industry and in the building sector, as well as addressing transport in urban systems. The climate change strategy will also include investments in new renewable energy technologies, particularly for least developed countries.

41. Supporting transversal investments in these focal areas, GEF-5's Sustainable Forest Management and LULUCF strategy will inform the programming of resources for managing forest ecosystems to secure multiple environmental benefits, particularly those related to the protection and sustainable use of biodiversity, climate change mitigation and adaptation, and combating land degradation. These objectives are consistent with those permeating the GEF focal areas of Biodiversity, Climate Change, International Waters, and Land Degradation, and will be brought together in more comprehensive and cost-effective projects and programs addressing forest management at multiple levels, and across all types of forests.

42. Outlined below are the strategies in the different focal areas.

Biodiversity

43. Biodiversity is defined as “the variability among living organisms from all sources including, *inter alia*, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species, and of ecosystems⁷.” As such, biodiversity is life itself, but it also supports all life on the planet, and its functions are responsible for maintaining the ecosystem processes that provide food, water, and materials to human societies.

44. Biodiversity is under heavy threat and its loss is considered one of the most critical challenges to humankind. The interim report of the global study, “The Economics of Ecosystems & Biodiversity (TEEB)” reinforces the conclusion of the Millennium Ecosystem

⁷ Convention on Biological Diversity.

Assessment that ecosystem services are being degraded or used unsustainably with severe socio-economic consequences for human societies and for the future of all life on the planet⁸.

45. The Millennium Ecosystem Assessment identified the most important direct drivers of biodiversity loss and degradation of ecosystem goods and services as habitat change, climate change, invasive alien species, overexploitation, and pollution. These drivers are influenced by a series of indirect drivers of change including demographics, global economic trends, governance, institutions and legal frameworks, science and technology, and cultural and religious values.

46. The GEF-5 strategy will maintain coherence with the GEF-4 strategy and address a subset of the direct and indirect drivers of biodiversity loss and focus on the highest leverage opportunities to conserve and sustainably use biodiversity. The ninth meeting of the Conference of the Parties of the Convention on Biological Diversity acknowledged that the GEF-4 strategy served as a useful starting point for the GEF-5 strategy and requested GEF to build on it for the fifth replenishment based on the four year framework of program priorities developed by COP-9.⁹ Refinements to the strategy's objectives are introduced based on COP-9 guidance, advances in conservation practice, and advice from the Scientific and Technical Advisory Panel of the GEF.

47. The goal of the biodiversity focal area is the conservation and sustainable use of biodiversity and the maintenance of ecosystem goods and services. To achieve this goal, the strategy encompasses the four objectives listed below (tentative allocation share per objective can be found in Table 1).

- (a) Improve the sustainability of protected area systems;
- (b) mainstream biodiversity conservation and sustainable use into production landscapes/seascapes and sectors;
- (c) build capacity to implement the Cartagena Protocol on Biosafety; and
- (d) build capacity on access to genetic resources and benefit-sharing.

48. The global and regional set-aside funds (GRS) will be used in GEF-5 to address supra-national strategic priorities and to incentivize countries to make substantive changes in the state of biodiversity through the course of the next cycle. First, regional, transboundary, and multi-country projects often entail additional administrative and implementation costs and resources will be accessed to complement significant national commitments to these projects. Second, the GEF recognizes that some projects will be amenable to formal experimental or quasi-experimental designs, which can make measuring and understanding project impact easier and help build the evidence base for GEF's intervention strategies. Although the GEF encourages project proponents to use country allocations to develop and implement such designs, the GEF recognizes that many of the knowledge benefits from such designs accrue to the broader GEF network and conservation community (i.e., a global public good). Thus, another incentive window will become available for use in the monitoring and analysis of indicators on control groups and for technical assistance in project design for projects that are well-suited to apply an experimental or quasi-experimental design and that contribute to the focal area strategy's

⁸ Millennium Ecosystem Assessment 2005, *Ecosystems and Human Well-being: Synthesis*, Island Press, Washington DC.

⁹ Decision CBD COP IX/31.

learning objectives. Finally, the remaining amount of the GRS will be used to support one or more specific initiatives currently under consideration that will meet most or all of the following criteria: (i) relevant to the objectives of GEF's biodiversity strategy; (ii) support thematic priorities identified by the COP of the CBD; (iii) high likelihood that the project will have a broad and positive impact in biodiversity; (iv) potential for replication; and (v) global demonstration value.

49. One proposal under consideration is to accelerate the implementation of the Programme of Work on Protected Areas in a limited number of megadiverse countries to an order of magnitude that the pilot countries would be able to demonstrate measurable progress in reducing the rate of biodiversity loss through the effective management of the protected area system by the end of GEF-5. The GRE funds would only be used to complement a significant national contribution from the country's individual allocation and a targeted program design to achieve this end, as identified and proposed through GEF Country Planning Framework processes.

50. The results framework for the GEF-5 biodiversity strategy is outlined in Table 1.

Table 1: Results Framework for the Biodiversity Strategy

Goal: Contribute to the conservation and sustainable use of biodiversity and the maintenance of ecosystem goods and services.

Impacts: 1. Biodiversity conserved and habitat maintained in national protected area systems
2. Conservation and sustainable use of biodiversity integrated into the production landscape and seascape

Proposed Focal Area Resource Envelope: \$2000 million

Objective 1: Improve Sustainability of Protected Area Systems (50%-60% of resource envelope)	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • Sufficient revenue for protected area systems to meet total expenditures required for management • Increased representation of ecosystems effectively conserved within protected areas • Increased representation of threatened species effectively conserved within protected areas • Improved management effectiveness of existing protected areas 	<ul style="list-style-type: none"> • Sustainable financing plans • New protected areas and coverage of unprotected ecosystems. • New protected areas and coverage of threatened species
Objective 2: Mainstream Biodiversity Conservation and Sustainable Use into Production Landscapes/Seascapes and Sectors (25%-30% of resource envelope)	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • Measures to conserve and sustainably use biodiversity incorporated in policy and regulatory frameworks • Improved management frameworks to prevent, control and manage invasive alien species • Increase in sustainably managed landscapes and seascapes that integrate biodiversity conservation 	<ul style="list-style-type: none"> • Policies and regulatory frameworks for production sectors • National and sub-national land-use plans that incorporate biodiversity and ecosystem services valuation • Certified production landscapes and seascapes

Objective 3: Build Capacity for the Implementation of the Cartagena Protocol on Biosafety (CPB) (8%-10% of resource envelope)	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • Potential risks posed to biodiversity from living modified organisms are avoided or mitigated 	<ul style="list-style-type: none"> • National biosafety decision-making systems in place
Objective 4: Build Capacity on Access to Genetic Resources and Benefit Sharing (10% - 12% of resource envelope)	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • Legal and regulatory frameworks, and administrative procedures established that enable access to genetic resources and benefit sharing in accordance with the CBD provisions 	<ul style="list-style-type: none"> • Access and benefit-sharing agreements that recognize the core ABS principles of Prior Informed Consent (PIC) and Mutually Agreed Terms (MAT) including the fair and equitable sharing of benefits.

Climate Change Mitigation

51. The Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) concludes that climate change due to human activities is now a virtual certainty and that even if the international community resolves itself to aggressively mitigate GHG emissions, climate change impacts will continue to increase in the future. It is widely recognized that the overall costs and risks of climate change will far exceed the cost of action to mitigate climate change.

52. As the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC), since its inception in 1991, the GEF has invested \$2.5 billion in financing climate change mitigation and enabling activities, and has leveraged more than \$15 billion additional investment. The GEF has become the largest public-sector funding source to support the transfer of environmentally sound technologies to developing countries.

Guiding Principles

53. Development of GEF-5 strategy in the climate change focal area will draw on the past experience, and will be guided by three principles: (i) responsiveness to Convention guidance; (ii) consideration of national circumstances of recipient countries; and (iii) cost-effectiveness in achieving global environmental benefits. GEF-5 will endeavor to make a transformative impact in helping GEF-recipient countries to move to a low-carbon development path through market transformation of and investment in environmentally sound, climate-friendly technologies.

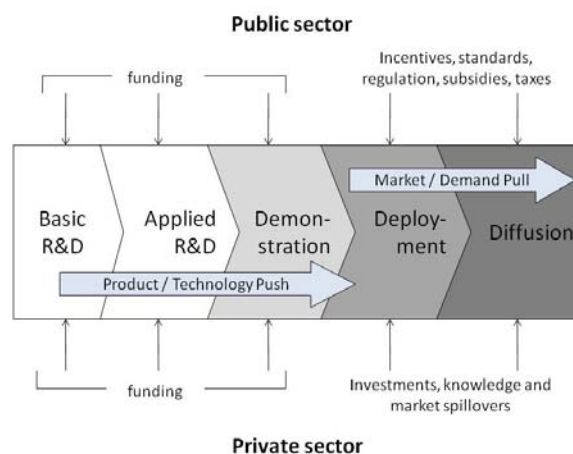
54. Recent decisions reached by the Conference of the Parties to the UNFCCC have given the GEF guidance particularly in the areas of development and transfer of environmentally sound technologies and undertaking activities in land use and land-use change. At COP13, the GEF was requested to elaborate a strategic program to scale up the level of investment in technology transfer to help developing countries address their needs for environmentally sound technologies. COP14 welcomed the technology transfer program presented by the GEF as a step toward

scaling up the level of investment in technology transfer to developing countries and requested the GEF to consider the long-term implementation of the strategic program on technology transfer. On LULUCF, COP12 requested the GEF to explore options for undertaking land use and land-use change projects within the climate change focal area in light of past experience. The Bali Action Plan also highlighted new issues such as measurable, reportable, and verifiable (MRV) nationally appropriate mitigation actions (NAMAs) by developing countries in the context of sustainable development, supported and enabled by technology, financing, and capacity building.

55. GEF-recipient countries vary significantly in terms of stage of development, technical and institutional capacity, and market potential in reducing greenhouse gas (GHG) emissions. GEF-5 climate change strategy will endeavor to provide options for countries with different national circumstances to tackle climate change mitigation while supporting sustainable development.

56. The GEF-5 climate change strategy will promote a broad portfolio of environmentally sound, climate-friendly technologies to achieve large GHG reductions in the GEF-recipient countries in accordance to their national circumstances. The portfolio will include technologies at various stages of the technology development cycle and innovation chain – focusing on market demonstration, deployment, and diffusion – and will involve a combination of technology push and market pull interventions (see **Figure 2** below).

Figure 2: Technology Development Cycle and Innovation Chain¹⁰



57. In GEF-5, a national planning process will be introduced to support countries in identifying priority areas for GEF support in line with the countries’ development objectives and climate change policy and strategies. Programming of GEF resources at the country level will be based on the priority sectors, technologies, and activities identified by the countries themselves. The GEF will endeavor to make transformative impacts in all GEF-recipient countries, taking

¹⁰ Source: Adapted from IPCC, 2007: Technical Summary, in Climate Change 2007: Mitigation, Contribution of Working Group III to the Fourth Assessment Report of the IPCC.

national circumstances into consideration. The use of non-grant instruments will be promoted in countries where conditions are suitable and demand exists in order to catalyze commercial financing and leverage investment from the private sector.

58. In large developing countries and rapidly growing economies, GEF intervention will emphasize opportunities that will bring large GHG reductions, such as market transformation in the building, industry, and transport sectors. In relatively small and low-income countries, GEF support will focus on investment as well as technical and institutional capacity building in promoting energy access through renewable sources of energy. Technology transfer will be promoted in all GEF-eligible countries: in large countries and emerging economies with strong technical capacity and market potential, emphasis will be placed on market demonstration and commercialization of new, emerging technologies; in small, low-income countries, GEF support will focus on deployment and diffusion of commercially available technologies through investment, building local capacity, and technology cooperation.

59. Furthermore, the GEF can play a useful and growing role in the emerging carbon markets, which is expected to increase rapidly in the future. The GEF is uniquely positioned to expand its engagement in the carbon markets given its extensive network of partner institutions, its rich experience in financing clean energy and sustainable urban transport activities and in promoting the transfer of a broad range of environmentally sound technologies to developing countries, and finally its strong track record in reducing GHG emissions cost-effectively from its investments. In fact, GEF's early intervention in many cases – be it demonstrating technologies for landfill gas and coalbed methane utilization or putting policy and regulatory frameworks in place to stimulate investment in renewable energy – has laid the foundation for the carbon market to function and replicate subsequently. Options to be explored by the GEF may include: (i) capacity building related to sectoral targets, NAMAs, MRVs, programmatic carbon finance, and other activities under the post-2012 climate regime; (ii) risk mitigation for projects at an early stage of technological innovation; and (iii) co-financing of innovative projects, with credits to be retained in the recipient country for further project replication. GEF engagement in carbon finance activities will complement other programs and reforms in GEF-5.

Goal and Objectives

60. The overall goal of the GEF in climate change mitigation is to support developing countries and economies in transition toward a low-carbon development path. The long-term impacts of the GEF work will be slower growth in GHG emissions to the atmosphere from the GEF-recipient countries and contribution to the ultimate objective of the UNFCCC, which is to achieve “stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.

61. The climate change mitigation strategy for GEF-5 will consist of six objectives (see Table 2). The first objective will focus on technologies at the stage of market demonstration or commercialization where technology push is still critical. The second through the fifth objectives focus on technologies that are commercially available but face barriers and require market pull to achieve widespread adoption and diffusion. The last objective is devoted to supporting enabling activities and capacity building under the Convention.

Table 2: Results Framework for Climate Change Strategy

Proposed Focal Area Resource Envelope: \$3500 million

Objective 1: Promote the demonstration, deployment, and transfer of advanced low-carbon technologies (20%-25% of resource envelope)	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • Enabling policy environment for technology transfer created • Institutional and technical capacity strengthened to enhance technology transfer processes • Technologies successfully demonstrated, deployed, and transferred 	<ul style="list-style-type: none"> • Technologies transferred by country • Technology transfer mechanisms established • Estimated GHG emissions avoided
Objective 2: Promote market transformation for energy efficiency in industry and the building sector (20% - 25% of resource envelope)	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • Appropriate policy, legal and regulatory frameworks adopted and enforced • Institutional and technical capacity for energy efficiency strengthened • Sustainable financing and delivery mechanisms established • Increased market penetration of energy efficient technologies and products 	<ul style="list-style-type: none"> • Energy efficiency policy and regulation in place • Investment mobilized • Energy saved • Estimated GHG emissions avoided
Objective 3: Promote investment in renewable energy technologies (20%-25% of resource envelope)	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • Favorable policy and regulatory environment created for renewable energy investments • Technical and institutional capacity for renewable energy strengthened • Increased investment in renewable energy technologies • Increased access to electricity from renewable sources 	<ul style="list-style-type: none"> • Renewable energy policy and regulation in place • Households having access to electricity from renewable sources • Investment mobilized • Renewable energy capacity installed • Electricity and heat produced from renewable sources • Estimated GHG emissions avoided
Objective 4: Promote energy efficient, low-carbon transport and urban systems (20% - 25% of resource envelope)	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • Institutional and technical capacity for low-carbon transport and urban systems strengthened • Sustainable transport and urban policy and regulatory frameworks adopted and implemented • Innovative technologies, practices, and financing mechanisms introduced 	<ul style="list-style-type: none"> • Cities participating in low-carbon programs • Public awareness campaigns completed • Investment mobilized • Energy saved • Estimated GHG emissions avoided

<ul style="list-style-type: none"> • Increased investment in less-GHG intensive transport and urban systems • Public awareness raised about climate change 	
Objective 5: Conserve and enhance carbon stocks through sustainable management of land use, land-use change, and forestry (10% - 15% of resource envelope)	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • Institutional capacity and enabling environment created for conservation and enhancement of carbon stocks • Good management practices in LULUCF adopted both within the forest land and in the wider landscape • Restoration and enhancement of carbon stocks in forests and non-forest lands, including peatland • Sustainable financing mechanisms established 	<ul style="list-style-type: none"> • Carbon stock monitoring systems established • Forests and non-forest lands under good management practices • Estimated GHG emissions avoided and carbon sequestered
Objective 6: Continue to support enabling activities and capacity building (5% - 10% of resource envelope)	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • Adequate resources allocated to support enabling activities and capacity building under the Convention • Human and institutional capacity of recipient countries strengthened 	<ul style="list-style-type: none"> • Countries receiving GEF support for national communications and technology needs assessments (TNAs) • National communications completed and submitted to the UNFCCC • TNAs prepared and updated

International Waters

62. Freshwater, saltwater, and their living resources know no borders. With 70 percent of the Earth being ocean and 60 percent of the land mass lying in cross-border surface and groundwater basins, transboundary water systems dominate. These systems produce food for domestic use and global trade, power industry and economies, quench thirst, and nourish ecosystems that support life. Globally, these systems are overused, over-polluted, and suffer from serious transboundary and national governance failures. Conflicting uses among states create tensions as degradation and depletion expand and changes in climatic variability just worsen the global water and oceans crises and threaten human settlements in some regions. Disruption of the natural amount, timing, and temperature of flows is another serious problem in many of the world's 263 transboundary river basins, and poses a significant threat to connected coastal zones and marine ecosystems.

63. The GEF International Waters (IW) focal area addresses these very complex sustainable development challenges faced by States sharing transboundary surface, groundwater, and marine

systems. Challenges range from overuse and conflicting uses of surface and groundwater and over-harvesting of marine fisheries to pollution, loss of habitat, ship waste, and adaptive management to climatic fluctuations. The GEF IW focal area serves a unique role in building trust and confidence among states for catalyzing collective management of these large water systems while providing benefits for water, environment, social stability, economic development, health, and regional stability. This collective action is catalyzed by regional projects rather than national projects.

64. Consistent with recommendations from OPS 3, the time for scaling up IW is now in order to avoid irreversible economic and social damage while cost-effective measures still remain viable to grow food, earn livelihoods, and survive water shortages. Through GEF foundational capacity building the last decade, many states are ready to move forward in scaling up on-the-ground impacts contributing to MDGs and WSSD targets while incorporating climatic variability as a new transboundary concern for action. The IW focal area has a large backlog of requests it is unable to meet, which contributes to the downward spiral in water resources across the Earth.

65. Depending on Replenishment levels, concerns of droughts and floods would now be incorporated into transboundary surface and ground water basin projects through Integrated Water Resources Management (IWRM) approaches that link groundwater and surface water considerations---a rare situation. Likewise, for Large Marine Ecosystem/coastal projects, fluctuating fisheries, reef bleaching, sea-level rise, coastal storm vulnerability, and salt-water intrusion would be incorporated into LME governance and Integrated Coastal Management. Lessons from previous GEF projects show that climatic variability must now be included as a priority transboundary concern along with the other multiple drivers of depletion and degradation---another rare situation.

66. Integrated projects across focal areas will be pursued as part of country programming and transformative operations in other focal areas where the sites lie in transboundary water systems. Likewise, regional programming approaches will be pursued to meet country-driven commitments for action on individual transboundary basins, coasts, and Large Marine Ecosystems. While not yet at the magnitude to be transformational, this scaled-up IW assistance, when combined with other focal area interventions in the same places, can help states test new, integrated approaches so that they can in GEF 6 make transformational progress toward sustainable use of land and water resources. For example, integrated approaches for improved water resources management as part of joint BD-LD-Adaptation-IW projects can help with the transition to sustainable use of specific landscapes, catchments, seascapes or wetland basins within transboundary systems. Based on one dozen groundwater pilots so far funded under IW, GEF has a comparative advantage on groundwater protection and use for drought management planning. In GEF 5, the incorporation of groundwater into surface water projects and surface water into aquifer projects through IWRM will be pursued to help countries address water conflicts in transboundary systems. This is new for the focal area. With 97% of all freshwater underground, groundwater protection and management is becoming critical for drought management and any interventions in the drylands.

67. Two pilot initiatives will be pursued with possible cooperation with the POPS/Chemicals and Biodiversity areas. Persistent toxic substances accumulate in fish and pose human and ecosystem health problems. Overfishing with damaging gear is now spreading to Marine Areas

Beyond National Jurisdictions, also known as the high seas. While IW has already funded some projects in these areas, specific pilot initiatives are proposed to generate a greater global impact from structured demonstrations.

68. The IW focal area will finally be able to implement the recommendations of OPS 3 on scaling up action and leveraging more resources to help states address the degradation and depletion of cross-border surface and groundwater resources as well as the downward spiral of coastal and mariner systems.

Table 3: Results Framework for International Waters Strategy

Goal: Promotion of collective management of transboundary water systems and implementation of the full range of policy, legal, and institutional reforms and investments contributing to sustainable use and maintenance of ecosystem services

Proposed Focal Area Resource Envelope: \$785 million

Objective 1: Build foundational capacity for collective, multi-state management of transboundary surface, groundwater and marine water systems (10% - 15% of resource envelope)	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> Enhanced understanding/consensus: transboundary water concerns, including climatic variability and change, by regional, national, and local stakeholders Increased political commitment and institutional capacity for collective action on transboundary waters Transboundary water management priorities incorporated into national planning frameworks Benefits demonstrated from water and fisheries pilots 	<ul style="list-style-type: none"> National inter-ministry committees established Strategic Action Programme (SAP) based on Transboundary Diagnostic Analyses and successful local pilots agreed by ministers.
Objective 2: Catalyze multi-state cooperation in balancing competing uses of transboundary surface and groundwater basins and integrated water resources management in Small Island Developing States (SIDS) while considering climatic variability and change (35%-40% of resource envelope)	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> IWRM incorporated into management frameworks and national plans that take into account climate change and variability (including SIDS) Sustainable institutions for collective and adaptive management of shared water systems SAP implementation supported by monitoring networks and research capacity Innovative solutions demonstrated—private sector and community involvement for reduced water use, reduced pollution, sustainable fisheries, habitat & 	<ul style="list-style-type: none"> Updated Strategic Action Programmes (SAP) reflect adaptive management and surface/groundwater considerations Financially sustainable water resource policy and legislative frameworks Completed demonstration projects For SIDS, completed demonstration projects for protecting surface and groundwater drinking supplies

<p>groundwater protection/ management</p> <ul style="list-style-type: none"> • For SIDS, innovative demonstrations show benefits for human health and drinking water availability • Countries replicate successful, demonstration projects and donors support scaling-up, emphasizing livelihood benefits (disaggregated by gender) 	
<p>Objective 3: Catalyze integrated, ecosystem-based approaches to improved management of Large Marine Ecosystems (LMEs) and their coasts while taking account of climatic variability and change (35%-40% of resource envelope)</p>	
<p>Expected Outcomes</p>	<p>Core Outputs</p>
<ul style="list-style-type: none"> • ICM incorporated into political and legal commitments to new or updated LME adaptive management SAP or ICM plan that takes into account climatic variability & change • Sustainable institutions and management frameworks for transboundary LMEs and coasts • SAP implementation supported by monitoring networks and research capacity • Innovative solutions demonstrated, with private sector and community involvement for reduced pollution, sustainable fisheries, habitat conservation/ restoration, ICM application • Countries replicate successful, demonstration projects and donors support scaling-up, emphasizing livelihood benefits (disaggregated by gender) 	<ul style="list-style-type: none"> • Updated Strategic Action Programmes (SAP) and ICM plans reflect adaptive management • Financially sustainable coastal and marine policy and legislative frameworks • Completed demonstration projects
<p>Objective 4: Support improved management of Marine Areas Beyond National Jurisdiction – ABNJ (Biodiversity FA is being asked to work with IW focal area on an integrated pilot) (5%-6% of resource envelope)</p>	
<p>Expected Outcomes</p>	<p>Core Outputs</p>
<ul style="list-style-type: none"> • Political commitments made to conserve targeted ABNJ • Targeted ABNJ, especially seamounts under effective management as MPAs, MMAs • Improved flag-state monitoring and control of fishing practices • Results of GEF pilot testing influence adoption of ABNJ regimes 	<ul style="list-style-type: none"> • Pilot institutions and demos for ABNJ • MPAs and MMAs in open ocean, including seamounts • Partnerships with business and industry
<p>Objective 5: Demonstrate reduced pollution from Persistent Toxic Substances (PTS), particularly endocrine disruptors (cooperative pilot with the Chemicals FA) (5%-6% of resource envelope)</p>	

Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • Reduced human and ecosystem health risks from PTS • Pollution prevention for PTS adopted in private sector operations • Experience base established for prioritizing endocrine disruptors in GEF-6 programming. 	<ul style="list-style-type: none"> • Avoided releases of PTS in local demonstrations • Policies tested and adopted • Partnerships with business and industry

Land Degradation

69. Land degradation affects close to 2.6 billion people across more than 100 countries. Degraded land is costly to reclaim and, if severely impacted, result in diminished ecosystem functions which are crucial to the provision of environmental, social, economic and non-material benefits that society depends, and for keeping development options open. The Millennium Ecosystem Assessment identified three major direct drivers for terrestrial ecosystem degradation: land use change, natural resources consumption and climate change. These direct drivers are also emphasized in the 10-year strategy of the UNCCD and in the non-legally binding instrument on forests of UNFF. With the current debate on the role agriculture and forest management in climate change mitigation (LULUCF), there are emerging opportunities also for further enhancing the sustainable land management agenda in the rural landscape.

70. The LD FA embraces the landscape approach by adopting ecosystem principles, such as maintaining and enhancing the connectivity between ecosystems. By adopting an integrated approach to natural resources management (NRM), the land degradation focal area drives an agenda for multiple global environmental benefits, including those related to the protection and sustainable use of biodiversity, climate change mitigation and adaptation and the protection and sustainable use of international waters.

71. The GEF-5 strategy for the land degradation focal area will maintain overall coherence with the GEF-4 strategy and support efforts to remove key barriers to the sustainable management of crop and livestock systems, as well as forests. More emphasis will be given to the management of competing land uses (e.g. food production, biomass production) since they result not only in changes in land cover and ecosystem dynamics but also contribute to increase the emission of GHG.

72. By financing the management of natural resources in an integrated way, in support of livelihoods of millions of people, the land degradation strategy has been made fully consistent with the overall approach to natural resources management across the GEF focal areas of Biodiversity, Climate Change Mitigation/LULUCF, and International Waters.

73. The goal of the land degradation focal areas is to contribute to arresting and reversing current global trends in land degradation, specifically desertification and deforestation. To achieve this goal, the strategy encompasses four objectives: (i) maintain or improve a sustainable flow of agro-ecosystem services to sustaining the livelihoods of local communities; (ii) generate sustainable flows of forest ecosystem services in arid, semi-arid and sub-humid zones, including sustaining livelihoods of forest-dependent people; (iii) reduce pressures on natural resources

from competing land uses in the wider landscape; and (iv) increase capacity to apply adaptive management tools in sustainable land management.

74. This allocation would constitute a significant increase for compared to GEF-4, which would allow the GEF to move from a pilot and demonstration approach to sustainable land management to a more strategic and focused approach to resources use for SLM based on country capacities. With the notion in GEF-5 to support country programming, for countries with larger allocations, including in the land degradation focal area, a programmatic approach to natural resources would be the appropriate modality to trigger transformational changes in the agricultural and forest sectors and to stronger link GEF investments to large-scale impacts. Countries in which programmatic approaches have been already piloted in earlier replenishment periods such as China or India, might consolidate and even expand these approaches in GEF-5. Countries involved in regional approaches to sustainable land management, such as TerrAfrica/SIP, MENARID and CACILM might – depending on their country resources allocation – renew or modify their commitment to these programs by emphasizing more the national activities and lighten regional program structures. This approach would be fully in line with the principles of the STAR, country-drivenness and a more efficient and effective allocation of GEF-5 resources.

75. The global and regional set-aside (GRS) in the land degradation focal area, not assigned to country envelopes, under a potential expansion of scope of the resource allocation system, would help the focal area to: (i) support the implementation of the Sustainable Forest Management Strategy; (ii) support the objective on Increasing capacity to apply adaptive management tools in SLM; and (iii) create an incentive mechanism for countries to chose a programmatic approach vis-à-vis the business-as-usual project-by-project approach to trigger transformational changes in the agricultural and forest sectors . These resources may be pooled with other incentive-based mechanisms supported through the other focal areas supporting natural resources management in the wider landscape such as biodiversity, climate change/mitigation and International Waters.

Table 4: Results Framework for Land Degradation Strategy

Goal: To contribute to arresting and reversing current global trends in land degradation, specifically desertification and deforestation.

Impacts:

- Improved provision of agro-ecosystem and forest ecosystem services.
- Reduced GHG emissions from agriculture, deforestation and forest degradation and increased carbon sinks.
- Sustained livelihoods for people dependent on the use and management of natural resources.

Proposed Focal Area Resource Envelope: \$785 million

Objective 1: Maintain or improve a sustainable flow of agro-ecosystem services to sustaining the livelihoods of local communities (40%-45% of resource envelope)	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • An enhanced enabling environment within the agricultural sector. 	Agricultural policy, legal and regulatory frameworks

<ul style="list-style-type: none"> • Improved agricultural (crop and livestock) management. • Functionality and cover of agro-ecosystems maintained • GHG emissions (CO₂, NH₄, N₂O) from agriculture reduced • Carbon stocks in agro-ecosystems increased 	<p>that integrate SLM principles</p> <p>Land where improved agricultural, land and water management practices are applied</p> <p>GHG balance in agricultural systems</p>
<p>Objective 2: Generate sustainable flows of forest ecosystem services in arid, semi-arid and sub-humid zones, including sustaining livelihoods of forest-dependant people (25% -30% of resource envelope)</p>	
<p>Expected Outcomes</p>	<p>Core Outputs</p>
<ul style="list-style-type: none"> • An enhanced enabling environment within the forest sector. • Improved forest management. • Functionality and cover of existing forest ecosystems in arid, semi-arid and sub-humid zones maintained. • GHG emissions from deforestation reduced 	<p>Forest policy, legal and regulatory frameworks that integrate SFM principles</p> <p>Land where improved SFM practices are adopted</p> <p>Land covered by forest and trees</p> <p>CO₂ emissions avoided</p>
<p>Objective 3: Reduce pressures on natural resources from competing land uses in the wider landscape (30% - 35% of resource envelope)</p>	
<p>Expected Outcomes</p>	<p>Core Outputs</p>
<ul style="list-style-type: none"> • Enhanced enabling environments across sectors in support of SLM. • Good management practices in the wider landscape demonstrated and adopted by relevant economic sectors. 	<p>Coordinated and harmonized policies among relevant sectors in place</p> <p>Land with unchanged cover by economic sector (status quo)</p>
<p>Objective 4: Increase capacity to apply adaptive management tools in SLM (3% - 5% of resource envelope)</p>	
<p>Expected Outcomes</p>	<p>Expected Outputs</p>
<ul style="list-style-type: none"> • Improved project performance using new and adapting existing tools and methodologies • Increased capacities of Countries to fulfill their obligations in accordance with the provisions provided in the UNCCD 	<p>Updated and mainstreamed results-oriented UNCCD action programs.</p>

Chemicals

76. The chemicals industry is experiencing a shift in production of chemicals from OECD to non-OECD countries. This increases the stakes and the challenges of managing chemicals safely in the developing world. For example, WHO estimates that about 3% of exposed agricultural workers suffer from an episode of acute pesticide poisoning every year. The overwhelming majority of fatalities take place in developing countries.

77. Chronic effects of exposure to toxic chemicals most often go unreported, particularly in the developing world. Industrial compounds such as methyl-mercury, lead, PCBs, and other neurotoxicants cause neurodevelopment disorder with very serious societal implications: studies in the past decade have shown that low-level prenatal exposure to methyl-mercury is correlated with decreased IQ, leading to downward shift in IQ at the population level. The costs associated with lost productivity due to loss of IQ of children exposed to mercury through seafood consumption of their pregnant mothers were estimated at \$8.7 billion annually in the US. Healthcare costs due to lead poisoning are estimated at \$43 billion per year in the same country.

78. The effects of toxic exposure on wildlife and ecosystems are also well documented, although cause and effect relationships can be difficult to ascertain. For instance, pesticides have been implicated in the decline of amphibians worldwide; DDT metabolites have been known for decades to induce egg-shell thinning and were responsible for the decline of populations of fish-eating birds; coral reefs were recently shown to be under threat from pesticides run-off, compounding the effects of climate change.

79. Since the time of the GEF-4 replenishment, the international chemicals agenda has expanded considerably in quantity and scope, requiring enhanced response from the GEF: the Strategic Approach to International Chemicals Management (SAICM) was adopted in 2006 with the International Conference on Chemicals Management at its second session in May 2009 “urg[ing] the GEF [...] to consider expanding its activities related to the sound management of chemicals to facilitate SAICM implementation [...]”; negotiations for a legally-binding agreement on mercury were launched in 2009; the linkages between the ODS and climate forcing GHGs have been emphasised; and the synergy process currently taking place within the Stockholm, Rotterdam, and Basel COPs creates demand and opportunity for a more comprehensive approach.

80. Even more importantly, the fragmented approach promoted until now is particularly damaging at the national level, in particular for the countries with weak capacity. The strategic framework proposed herewith, following the life-cycle of chemicals, by seeking alignment with recipient countries’ development priorities and institutional structures, will lead to programs on the ground that are more country-driven and sustainable.

81. Under GEF-5, it is proposed therefore to consider chemicals activities in a more systematic and comprehensive manner, such as to reduce fragmentation and maximise global environmental benefits and strengthen the value added at the country level of GEF interventions in the chemicals sphere. Whilst the framework for this approach follows chemicals life-cycle, the main driver is the role and mandate of the GEF as financial mechanism to the Stockholm

Convention: implementing Stockholm COP guidance and reporting back to the COP is central to this effort.

82. The resources allocated to such a comprehensive chemicals focal area, however, should be significantly increased over GEF-4 resources to justify an expansion in scope and not deleverage resources from existing areas. Therefore, activities and outputs are proposed in a modular way until the size of the replenishment for GEF-5 and resources allocated to the Chemicals program are known.

83. As described elsewhere in this document, it is proposed that the GEF Secretariat work with recipient countries at the beginning of the GEF-5 replenishment period to develop national plans for accessing GEF-5 resources in the focal areas. It is envisaged that guidelines will be developed in order to guarantee a level of “core” POPs resources in order to guide these discussions, and amongst other things demonstrate that the GEF’s mandate as financial mechanism to the Stockholm Convention is met and facilitate reporting to the COP.

84. The four following objectives are identified for Chemicals under GEF-5 and are detailed in Table 5: (i) phase-out production and use of controlled chemicals; (ii) manage the use of chemicals in an environmentally sound manner; (iii) reduce the releases of POPs and other PTS of concern to the environment; and (iv) prevent, manage, and dispose of waste, and manage contaminated sites.

85. The above objectives and framework allow the GEF to respond to the demands of the Stockholm Convention [...]to support those activities identified as priorities in NIPs which promote capacity building in sound chemicals management, so as to enhance synergies in the implementation of different multilateral agreements [...], as well as to the obligations that arise to eligible countries from the Montreal Protocol, as appropriate. This set of objectives also allows the GEF to be well positioned to respond to other international agreements, such as the SAICM or the mercury agreement that is being developed, should additional resources be available.

86. Regarding SAICM, it is anticipated that the GEF would support those SAICM “concrete measures” that have most obvious regional/global aspects. Regarding mercury, it is anticipated that, just as it did for POPs, the GEF would support assessment-type activities and demonstrations of good practices for alternatives or mercury release reduction whilst the treaty is negotiated, so that the international community is indeed ready for implementing the treaty when it is adopted. This is similar to the range of activities that the GEF supported in the years leading to, and during, the negotiations for the Stockholm Convention.

Table 5: Results Framework for Chemicals Strategy

GEF Chemicals Program Goal: **To promote the sound management of chemicals throughout their life-cycle in ways that lead to the minimization of significant adverse effects on human health and the environment**

Impact: reduction in the exposure to POPs and other PTS of humans and wildlife

Proposed Focal Area Resource Envelope: \$780 million

Objective 1: Phase out production and use of controlled chemicals	
<i>(15%-20% of resource envelope)</i>	
In support of, <i>inter alia</i> , SC, MP, Hg	
Expected Outcomes	Core Outputs
<p>Short-term: Country capacity built to effectively phase out controlled chemicals</p> <p>Long-term: Controlled chemicals phased out in a sustainable manner</p>	<ul style="list-style-type: none"> • NIPs prepared or updated, or national implications of new POPs assessed • Specific POPs or ODS phased out from production • Specific POPs or ODS phased out from use <p>If additional resources available:</p> <ul style="list-style-type: none"> • Specific PTS phased out from use, in particular with respect mercury
Objective 2: Manage the use of chemicals in an environmentally sound manner	
<i>(25% of resource envelope)</i>	
In support of, <i>inter alia</i> , SC, MP, RC, SAICM	
Expected Outcomes	Core Outputs
<p>Short-term: Country capacity built to minimise risks from continuing exempted use of POPs, or use of other hazardous chemicals</p> <p>Long-term: risks from continuing exempted use of POPs, or use of other hazardous chemicals, minimised in a sustainable manner</p>	<ul style="list-style-type: none"> • Management plans under implementation for PCBs, DDT, or “new POPs” • PCB-containing electrical equipment in the country under environmentally sound management • Management of pesticides for agriculture production, and prevention of obsolete stocks <p>If additional resources available:</p> <ul style="list-style-type: none"> • Management plans under implementation for PTS of concern
Objective 3: Reduce releases of POPs and other PTS of concern to the environment	
<i>(25% of resource envelope)</i>	
In support of, <i>inter alia</i> , SC, MP, Hg	
Expected Outcomes	Core Outputs
Short-term: Country capacity built to reduce releases to the environment, or prevent releases, of POPs and other PTS of concern	<ul style="list-style-type: none"> • Countries with enhanced capacity for the implementation of BAT/BEP for U-POPs release reduction

<p>Long-term: sustainably reduced releases to the environment, or prevention of releases, of POPs and other PTS of concern</p>	<ul style="list-style-type: none"> • Sustainably reduced or avoided releases of POPs by-products from industrial and from non-industrial sectors • BAT/BEP demonstrated in priority sectors for U-POPs release reduction <p>If additional resources available:</p> <ul style="list-style-type: none"> • BAT/BEP demonstrated in priority sectors for PTS release reduction, in particular with respect mercury
<p>Objective 4: Prevent, manage, and dispose of waste, and manage contaminated sites <i>(30%-35% of resource envelope)</i></p> <p>In support of, <i>inter alia</i>, SC, MP, BC</p>	
<p>Expected Outcomes</p>	<p>Core Outputs</p>
<p>Short-term: Country capacity built to minimize the generation of hazardous waste and to dispose of it in an environmentally sound manner, including locally as appropriate</p> <p>Long-term: Hazardous waste generated sustainably minimised, and managed and disposed of in an environmentally sound manner</p> <p>Long-term: Decreased exposure of local communities living in proximity to POPs or other PTS waste that have been disposed of or contained</p>	<ul style="list-style-type: none"> • POPs and other obsolete pesticides repackaged to appropriate standards and moved to secure storage, or disposed of • PCBs, PCB-contaminated oils, and PCB-contaminated equipment disposed of, or decontaminated • Facilities available and certified for environmentally sound dismantling and cleaning of PCB-contaminated equipment, or environmentally sound disposal of PCBs and hazardous waste <p>If additional resources available:</p> <ul style="list-style-type: none"> • Strategies for contaminated sites assessment and management in place, or under implementation • Waste prevention and management strategies in place or under implementation

- * SC: Stockholm Convention
 MP: Montreal Protocol
 BC: Basel Convention
 RC: Rotterdam Convention
 SAICM: Strategic Approach to International Chemicals Management
 Hg: Mercury

87. The above table and tentative allocations assume that about \$600 million are available for obligations under the Stockholm Convention and POPs. If additional resources (\$180 million) are available, additional outputs listed under each objective can be delivered as part of GEF programs.

Sustainable Forest Management and Land Use, Land Use Change and Forestry (LULUCF)

88. Forest ecosystems provide a variety of benefits which are realized at the global, sub-regional, national and local scales. Threats to forest ecosystems are also multiple – ranging from

the impacts of climate change to all aspects of competing land uses that lead to forest degradation and deforestation. Deforestation contributes to 17.4% % of greenhouse gas (GHG) emissions, which is more than the entire global transport sector. Forests harbor a significant fraction of the world's biological wealth, and are responsible the provision of key ecosystem services, including functioning as carbon sinks and storehouses, as well as sustaining the livelihoods of hundreds of millions of rural people everywhere.

89. Drawing on these inter-linkages, GEF-4 introduced a more strategic approach to SFM which includes the role of forests in climate change mitigation (LULUCF). The GEF-4 strategy was operationalized through a SFM program which has rapidly emerged as a diverse portfolio of investments that address individual GEF focal area aspects of forests or emphasize the multiple benefits character of forest ecosystems through major programmatic approaches. All types of forests have been made eligible under the SFM program, ranging from tropical and sub-tropical forests to woodlands and trees in the wider landscape. The portfolio contains a wide spectrum of SFM management tools that are promoted through GEF projects, such as protected area management, integrated watershed management, certification of timber and non-timber forest products or payments for ecosystem services (PES) schemes, among others.

90. Tropical forests have emerged as a particularly important theme for the global environment. The conversion and degradation of tropical forests, which accounts for approximately 90 % of the total GHG emissions from deforestation and for nearly 80% of the threats to biodiversity globally, has been made the focus of an innovative experiment conducted in the ambit of the GEF-4 SFM program. Through this initiative, countries were incentivized to invest portions of their allocations from different focal areas in more impactful sets of SFM and LULUCF activities. This mechanism became known as the Tropical Forest Account (TFA). Three regions of large, intact, tropical forest (Amazonia, Congo Basin, and New Guinea/Borneo) were defined as the initial targets for the TFA. The countries spanning these regions are responsible for 54% of tropical forest cover, 44% of the world's tropical endemic mammals, 56% of tropical endemic birds, and 43% of tropical endemic plants. They also contain 68% of tropical forest carbon, though in GEF-4 were allocated 18% of GEF climate change RAF funding.

91. The TFA incentive mechanism was resourced by reserving portions of the Global and Regional Exclusion (GRE) windows of biodiversity and climate change, complemented by land degradation resources, and directed for SFM activities. TFA programming will reach \$50 million by the end of GEF-4, leveraging three times as much in co-financing. Notably among these investments are programmatic approaches or major projects in the Congo Basin, Borneo and the Amazon.

92. The investment strategy in sustainable forest management for GEF-5 will build on the very promising experience with the SFM portfolio development gained in GEF-4, which has allocated approximately \$350 million in the current cycle. The strategy will include expanding geographically and financially the incentive mechanism pioneered under the TFA, also making use of the latest developments in new and innovative financing opportunities for LULUCF, so as to address all types of forests.

93. The GEF-5 approach will reflect the evolving consensus around the SFM concept, as adopted by the Collaborative Partnership on Forests (CPF) and reflected in the Non-Legally Binding Instrument (NLBI) of the United Nations Forum on Forests (UNFF). It also reflects the guidance coming from the other three conventions dealing with forests, and for which the GEF is a financial mechanism (UNFCCC, CBD and UNCCD). The framework recognizes SFM as encompassing seven thematic elements: extent of forest resources, biological diversity, forest health and vitality, productive functions of forests, protective functions of forests, socioeconomic functions, and the legal, policy and institutional framework. This broadly defined framework can be applied from production forests, including planted forests, all the way to protected forests and to degraded forests in need of restoration.

94. The overall funding envelope for SFM/LULUCF in GEF-5 will be \$500 million, to be used as an incentive to coalesce and augment multi-sectoral investments in transformative initiatives, which in turn will be identified and proposed by countries through the GEF Country Planning Framework (CPF). In GEF-5, the financially and geographically expanded SFM/LULUCF program will be established as a major incentive mechanism for countries to invest their focal area allocations coming from biodiversity, climate change, land degradation, and international waters (transboundary watersheds) towards integrated programmatic approaches seeking transformative change in forest management and conservation, both nationally and regionally.

95. It is estimated that the incentive mechanisms can augment the investment capacity of GEF in forests to approximately \$1.4 billion, without considering cofinancing. We estimate that this level investment could secure between 500 million to 1 billion tons of carbon over a minimum period of 10 years, and in the process protect the habitat of thousands of globally relevant species. A more precise algorithm for allocating additional resources to complement STAR investments, and the respective models of impacts generated across the focal areas, will be refined over the next few months.

96. The GEF has a significant comparative advantage in directing the investments that support measures to control and prevent deforestation and forest degradation as essential and cost-effective means to deliver multiple global environmental benefits, including the protection of forest habitats, forest ecosystem services, mitigation of climate change and protection of international waters, reflecting the transversal nature of forests globally. The GEF-5 strategy will better reflect these key synergies, working with and supporting the NLBI framework for all types of forests of the UNFF, which calls for international cooperation and national action to reduce deforestation, prevent forest degradation, promote sustainable livelihoods and reduce poverty for all forest-dependent peoples.

Table 6: Results Framework for Sustainable Forest Management

Goal: Achieve multiple global environmental benefits from the management of all types of forests and strengthen sustainable livelihoods for people dependent on forest resources

Impacts:

- Improved provision of forest ecosystem services.
- Reduced GHG emissions from deforestation and forest degradation and increased carbon sinks.
- Improved status of threatened forest and forest-dependent species.
- Sustained livelihoods for people dependent on the use and management of forest resources

Proposed Resource Envelope: \$500 million

Objective 1: Reduce pressures of forest resources and generate sustainable flows of forest ecosystem services	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • Enhanced enabling environment within the forest sector and across sectors • Good management practices developed and applied in existing forests • Functionality of forest ecosystems and forest cover maintained or restored • Good management practices in the wider forest landscape demonstrated and adopted by relevant economic sectors 	<p>Forest policy, legal and regulatory frameworks that integrate SFM principles</p> <p>Coordinated and harmonized policies among relevant sectors in place</p> <p>Land covered by forest and trees</p> <p>Habitats for (forest) biodiversity conserved</p>
Objective 2: Reduce GHG emissions from deforestation and forest degradation and enhance carbon sinks from LULUCF activities	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • Enhanced institutional capacity to account for GHG emission reduction and increase in carbon stocks • Good management practices in existing forests demonstrated and adopted (addressing forest degradation). • Good management practices in the wider forest landscape demonstrated and adopted (addressing deforestation). • Sustainable Financing Mechanisms established 	<p>National forest carbon monitoring system</p> <p>GHG emissions avoided</p> <p>Land covered by forest and trees</p> <p>Carbon stored in forests, the wider forest landscape and peatlands</p> <p>CER created, sold and reinvested</p>

PRIVATE SECTOR STRATEGY

97. Since its inception in 1991, the GEF has engaged the private sector in a variety of ways, mostly through direct project support. A consistent theme in the numerous policy documents and assessments of GEF's engagement with the private sector is that the private sector is integral to achieving the overall global environmental objectives of the GEF. The private sector has played and should continue to play a pivotal role in providing solutions that contribute to the protection of the global environment and promote thereby environmentally sound and sustainable economic development. Indeed, given the huge innovative and resource mobilizing potential of the private sector and the limited resources that can realistically be deployed from the public sector in relation to the scale of the challenges, it is generally agreed that ways must be found to radically increase the beneficial involvement of the private sector towards addressing today's and tomorrow's global environmental challenges.

98. Initial policy frameworks for private sector engagement were developed through GEF Council papers as early as 1996¹¹ that provided a foundation from which the GEF engaged with private sector, largely through direct project support. Most recently, two Council-approved documents detailed an updated strategy to enhance GEF's engagement with the private sector. These were "*GEF Strategy to Enhance Engagement with the Private Sector*" (GEF/C.28/14) in March 2006, which was accompanied by an extensive information document "*Additional Information to Support the GEF Strategy to Enhance Engagement with the Private Sector*" (GEF/C.28/Inf.4).

The GEF Earth Fund (Pilot Project)

99. The 2006 private sector strategy documents included an innovative proposal to establish a pilot public-private partnership (PPP) initiative to enhance GEF engagement with the private sector. A pilot PPP initiative was approved by the GEF Council in June 2007 along with a funding allocation of \$50 million. The concept was further developed as a pilot project in conjunction with IFC as a strategic partner, was renamed the GEF Earth Fund and was approved by Council in May 2008.¹²

100. The GEF Earth Fund (pilot project) was established with separate trust fund arrangements to promote projects, technologies and business models that will contribute to the protection of the global environment and promote thereby environmentally sound and sustainable economic development. This pilot project allows the GEF to demonstrate ways to more systematically engage with the private sector in order to reach beyond its traditional boundaries (in a number of ways), foster innovation and open new markets, and demonstrate the potential for strategic

¹¹ GEF Strategy for Engaging the Private Sector (1996); Engaging the Private Sector in GEF Activities (1999); Enhancing GEF's Engagement with the Private Sector (2003); Principles for Engaging the Private Sector (2004)

¹² The GEF Earth Fund was established as a result of two Council documents, "*The Public Private Partnership Initiative: Furthering the GEF Strategy to Enhance Engagement with the Private Sector*", approved by the Council in June 2007, and "*The GEF Earth Fund: (formerly) The Public Private Partnership Initiative: Furthering the GEF Strategy to Enhance Engagement with the Private Sector*", approved by circulation to Council in May 2008

partnerships to achieve greater scale of investment than generally achievable through working with the private sector on individual projects through the normal GEF project cycle.

101. *GEF Earth Fund Platforms.* The GEF Earth Fund (pilot project) is being managed based on the concept of “Platforms” under which a portfolio of individual activities (hereinafter referred to as “projects”) will be managed. The portfolio of projects within each Platform has to be aligned with GEF Focal Areas, while projects within each Platform seek to address specific environmental challenges or seek to leverage particular business models or financial instruments. This is a delegated structure that allows projects to be approved by Agencies that manage Platforms, once those Platforms have been approved by Council.¹³ Outside the GEF Earth Fund, most GEF projects have to go through both the Agency’s approval, as well as the GEF approval, which in many cases has caused significant delays, by which point the market conditions upon which the project was based might have changed dramatically.

Box 1: The IFC Earth Fund Platform

The IFC Earth Fund Platform received Council approval and CEO endorsement in May 2008. The IFC Earth Fund platform has been operational since November 2008. The IFC Platform is focused on projects and businesses that show a clear market transformation objective in the climate change and biodiversity focal areas.

Governance Structure of the IFC Platform: The IFC manages the activities under the IFC Earth Fund Platform through a governance structure which allows for project appraisal, processing and approval in a streamlined fashion. IFC has a dedicated team that reviews the eligibility of projects and facilitates structuring the financial mechanism (grant and non-grant instruments) deployed with GEF funding. A separate Investment Review Committee approves the use of the GEF funding from the IFC Earth Fund Platform, and a representative from the GEF Secretariat participates in all investment review meetings. The IRC committee has met [3] times since inception in November 2008.

Progress to date: To date, IFC has submitted 4 project proposals to the IRC, which has approved 3 projects and rejected one. There are currently more than 15 projects in the pipeline expected to be reviewed and submitted for approval by the end of the year. All projects approved under the IFC Platform clearly identify the market barriers the activities seek to address, and will measure impact based on a clear understanding of baseline indicators, and progress made through the intervention. The three projects approved to date include (i) an early stage equity investment in a clean-tech manufacturing company in China, (ii) support for an innovative emerging markets equities index product which aims to incentivize listed equities in emerging markets to become more carbon neutral, and (iii) support for a sustainable energy efficiency/cleaner production (EECP) finance program in Indonesia which will promote the implementation of EECP projects in that country.

102. The first \$30 million operational “Platform” of the GEF Earth Fund was approved by Council in May 2008, and is currently being managed by IFC (see Box 1 for a description). A second \$5 million Platform proposal “Global Market Transformation for Efficient Lighting”, to be managed by UNEP, was submitted for Council approval in May 2009. Other Platform proposals are currently being prepared for submission to Council for approval during 2009, which will complete the initial funding allocation of \$50 million.

¹³ Within each Platform, projects are approved through approved operational procedures (submitted to Council with each Platform proposal) which normally allow these projects to be approved consistent with the project cycle of the Agency itself.

103. Although it is not contemplated that private for-profit corporations will manage Earth Fund Platforms, individual projects within the Platforms will generally involve the implementation, development and/or replication of projects, technologies and business models in partnership with the private sector.

104. IFC also manages the trust fund for the GEF Earth Fund (pilot project), and in its role as fund manager and administrator, IFC disburses funding to entities approved to manage Platforms upon Council approval and CEO endorsement. In addition, IFC participates in GEF Earth Fund Board meetings as an observer.

105. Further information regarding the GEF Earth Fund (pilot project) is provided in the document “The GEF Earth Fund Charter (Pilot Project) – Strategic Priorities, Governance and Operational Procedures” which was agreed with IFC and IBRD and submitted for Council approval in May 2009.

Rationale for Enlarging and Mainstreaming the GEF Earth Fund in GEF-5

106. Significant progress has already been made with implementing the GEF Earth Fund (pilot project), to the extent that the \$50 million funding previously approved will (subject to Council approval) be fully allocated to Platforms during 2009. The approved Platforms are expected to cover a wide range of operations in climate change, biodiversity and regional water initiatives, including investment into small and medium sized enterprises (SMEs) in developing countries in a manner which combines environmental protection and social and economic development. The streamlined process is already seen to work effectively and to be of great interest to potential private sector partners wishing to participate in Platforms.

107. However, due to the limited size of the initial funding approval (\$50 million), some of the current Platforms may of necessity be smaller than might be considered optimal by many potential private sector partners, and smaller than might be justifiable to optimize the regional and global impacts of some of the relevant initiatives. This is of course quite appropriate for a pilot project, when it is clearly desirable to demonstrate the effectiveness of a number of different initiatives and approaches.

108. There is strong justification for enlarging and consolidating the GEF Earth Fund as a mainstream mechanism for engaging with the private sector in GEF-5 for the following reasons:

- (a) Positive progress to date with the pilot project of the GEF Earth Fund, including the widely perceived effectiveness of the portfolio approach executed through managed Platforms;
- (b) The recognition that interventions of larger scale and greater speed of implementation (attainable through strategic partnerships with the private sector using a streamlined portfolio-based approach) are desirable to enhance GEF’s impact towards contributing to the protection of the global environment and promoting thereby environmentally sound and sustainable economic development, given the urgent need to address large scale threats to the global environment;

- (c) More than a decade of review by the GEF on how to enhance engagement with the private sector; including testing a variety of project and programmatic models;
- (d) The generally accepted conclusion by Council that enhancing engagement with the private sector through PPP mechanisms is sound policy for the GEF;
- (e) A pragmatic solution in the current organizational and operational structure of the GEF after the inception of the Resource Allocation Framework (RAF);
- (f) The ability to attract very significant co-financing from the private sector and other parties through the GEF Earth Fund (which should always be at least three times the level of GEF funding in the case of the GEF Earth Fund); and
- (g) In addition to leverage of co-financing at the project level, the GEF Earth Fund can attract additional funding as parallel contributions from donors. The ability to attract these types of contributions at the GEF Earth Fund level can significantly increase the overall impact of the work carried out through the Platforms.

109. It is assumed that an enlarged and mainstreamed GEF Earth Fund under GEF 5 will allow Platforms and projects to be supported along any of the GEF 5 Strategic Priorities. An indicative list of expected private sector engagement outcomes in each of the focal areas for GEF-5 is provided in Annex 2. However, there are specific themes that could be particularly appropriate for the GEF Earth Fund under GEF 5, and some potential examples are provided below:

- (a) Accelerating the Development and Deployment of Advanced Energy Technologies for Developing Countries;¹⁴
- (b) Combining public and private financing of renewable energy technologies and other clean technologies through PPP;
- (c) Deploying market-based instruments for biodiversity protection and the provision of ecosystem services in developing countries;
- (d) Addressing critical service needs using PPP business models with proven technologies that have shown limited success through the normal GEF project approach (for example scaling up the provision of solar home systems in areas without grid access, noting there are over 2 billion people without grid access who must often resort to environmentally degrading means to obtain their basic energy needs);
- (e) Deploying PPP models for reduction and treatment of pollution including chemicals and municipal wastes; and

110. It is proposed that \$500 million be earmarked for an expanded and strengthened Earth Fund in GEF-5, with the aim of leveraging \$3 billion from the private sector.

111. Assuming positive feedback from the Participants with regard to the overall approach, the intended scope of activities for an expanded GEF Earth Fund will be explored further and detailed in a paper to be provided in October 2009 in advance of the next Council meeting.

¹⁴ *Accelerating clean energy technology research, development, and deployment: lessons from non-energy sectors*; Patrick Avato, Jonathan Coony; World Bank working paper ; No. 138

Use of Non-Grant Instruments

112. In 2008 the GEF outlined policy guidance on the use of non-grant instruments.¹⁵ The use of GEF funding in non-grant instruments is seen as a way to “further increase GEF’s catalytic role and better leverage its resources”. The GEF Earth Fund is expected to deploy both grant and non-grant instruments, which may include (i) grants; (ii) non-traditional grants (contingent grants/loans) in which a grant is disbursed or repaid only if certain criteria are met; (iii) loans (hard, concessional, and contingent loans involving senior and subordinated debt); (iv) guarantees (risk and credit guarantees); and (v) equity participation.

113. As part of the discussions on the GEF-5 replenishment, the possibility of the GEF raising funds from other donors in the form of soft loans is an option under consideration. In these cases, careful consideration should be given as to how these types of contributions can be best deployed by the GEF.¹⁶

Potential for Reflows

114. Consistent with the GEF mandate to achieve global environmental benefits for the lowest expenditure of scarce public resources, it is expected that under an expanded GEF Earth Fund substantial reflows will be generated for reinvestment in future Platforms and projects. Because the GEF Earth Fund is focused on engagement with the private sector through PPP mechanisms (and the deployment of non-grant instruments will be inherent in much of the work), it will be feasible to more systematically track and capture reflows and returns on GEF funding, which can be further redeployed.

115. The ability of the GEF funding in the GEF Earth Fund to generate significant reflows and/or returns is dependent on the underlying performance of the projects within each Platform. How, and under what circumstances the projects are supported through non-grant instruments is somewhat project dependent.¹⁷

116. In line with the GEF Instrument, it is expected that GEF funding will continue to be used in a concessional manner. By definition, the types of returns available in these circumstances are less than commercial, although still better than deploying funding through grants. Furthermore, due to the nature of the types of projects and interventions that the GEF funding has traditionally supported in partnership with the private sector, the underlying projects may have a higher overall risk profile than, for example, utility-sponsored projects in developed countries with secure hard currency cash flows. As a result, the expectation for significant reflows needs to be

¹⁵ GEF, 2008, GEF/C.33/12 “*Operational policies and guidance for the use of non-grant instruments*” March 26

¹⁶ It is important to note that the acceptance of funding in the form of loans, or any other mechanism which requires servicing may have a direct impact on the types of projects in the underlying portfolio. Any decision to provide funding in the form of loans should be with the understanding that the projects supported could be less innovative and in technologies and geographies where the additionality of the GEF funding is not as clear due to the presence of competing funding.

¹⁷ For example, two projects with similar objectives may need very different concessional financing packages to catalyze/incentivize sponsors (e.g.: one needs debt, the other equity). In this case, the ability to use non-grant instruments is critical for implementing entities, but the way in which they use these instruments will vary from project to project depending on the needs of the project, what instrument is more catalytic, and what will be the expected benefits of the project.

managed against both the types of projects that GEF funding will support, and the concessional nature of the non-grant instruments deployed.

Possible Structures for the GEF Earth Fund

117. There are two key operational elements in the current GEF Earth Fund (pilot project) which are considered necessary to the foundation of an enlarged mainstream mechanism. They are:

- (a) The GEF Earth Fund must be outside the resource allocation system; and
- (b) The modality of Platforms should continue to promote efficiency in individual project processing, through delegated authority to the Agencies managing those Platforms.

118. The optimal structure for an enlarged GEF Earth Fund would depend on the specific instructions and guidance given by Council regarding its size and functions. It is considered that the current pilot project could well provide a good structural template for an enlarged GEF Earth Fund. Operational details would need to be agreed between the major implementing partners.

119. In the event of the GEF attaining independent legal status, a possible scenario for an enlarged GEF Earth Fund would be to structure it as a fully independent subsidiary of the GEF, with its own legal status and operations. In this case, the GEF Earth Fund would have separate operations and management. A separate legal subsidiary would be governed by its own Board, and would report directly to the Council on matters undertaken within the Company. Management of this kind of (subsidiary) Fund would be separate and distinct in order to avoid conflicts, and management would report to the Board and the Council.

CORPORATE PROGRAMS STRATEGY

120. Corporate programs are those activities undertaken by the GEF in support of the activities in the focal areas. Corporate activities are largely cross-cutting in nature and respond to the needs of countries and civil society organizations to develop capacity to undertake activities that generate global environmental benefits. Currently, four corporate programs are under implementation: (i) Country Support Program;¹⁸ (ii) National Dialogue Initiative;¹⁹ (iii) Cross-cutting Capacity Building Program; and (iv) Small Grants Program.

121. The GEF-5 strategic approach to corporate programs, aims to build further on the process established in GEF-4 to ensure that GEF programming is more closely tied to the needs of recipient countries, taking into account feedback received from the GEF country focal points, such as: (i) a need for greater coordination among national officers responsible for the GEF from different perspectives – GEF focal points, convention focal points, ministries of finance, CSOs, etc; (ii) a need for greater visibility and recognition of GEF support to countries; (iii) a need to

¹⁸ Initiated in 2006 to address the capacity and knowledge needs of the GEF country focal points.

¹⁹ Initiated in 2004 to facilitate a series of country-level multi-stakeholder dialogues on GEF-related issues and themes. National dialogues aim to raise awareness about the GEF, strengthen country-level coordination and ownership, and clarify and address country GEF needs and priorities linked to national development strategies.

focus the different components of the support program according to the new design of GEF activities

122. As outlined in paragraph 24(a) above, the cornerstone of GEF cooperation will be each country's *National Plans for Generating Global Environmental Benefits* that will provide guidance for seeking GEF support. During GEF-5, countries that so request shall be supported in the preparation of such national plans. In this context, it is proposed that the system of Focal Points be strengthened by the establishment of GEF National Steering Committees. The National Dialogue Initiative will be transformed so that it becomes an integral part of an expanded Country Support Program. Basic cross-cutting capacity development support will be provided for all countries. The Small Grants Programme will be continued in GEF 5 as a new project designed in accordance with Council decisions. The GEF will continue to work with Agencies in support of activities involving innovation with Civil Society Organizations, for example the Development Marketplace. In addition, the Secretariat, in collaboration with the Agencies, will further strengthen the conflict resolution foundation established in GEF-4

National Plans for Generating Global Environmental Benefits

123. Being fully coordinated with the national planning process is imperative for the GEF to be relevant to the needs of the recipient countries. Such coherence among agencies has been emphasized repeatedly at all major international conferences on development, including the [2005 World Summit](#), the [Millennium Declaration](#), the [Paris Declaration on Aid Effectiveness](#), the [2008 Accra Agenda for Action](#) and the [Millennium Development Goals](#), the Accra High Level Forum and the Doha financing for development outcomes.

124. For a large part of GEF's history, country programming was inter-mediated through the GEF Agencies. While such an approach ensured that the GEF-financing was sought for activities within the context of planning and assistance frameworks²⁰ established between an Agency and a country, there is still scope for improvement. During GEF-4, with the introduction of the Resource Allocation Framework, direct communications between the Secretariat and countries were opened up to facilitate programming and to ensure that competition among GEF Agencies did not result in a dilution of country priorities.

125. To further strengthen the engagement of the GEF at the country-level, it is proposed that each recipient country submits to the GEF a *National Plan for Generating Global Environmental Benefits*. Such plans should not be limited to an exercise of programming GEF allocations to national projects. Rather, they should represent the full estimation of what a country can contribute to the global environment regardless of what level of resources is available, including, where possible, an identification of relevant programs and projects. These plans may already exist having resulted from previous exercises and, if so, may be submitted directly to the GEF. While the submission of these national plans is not a requirement to access GEF support for projects, those countries that decide to prepare new plans will be granted \$ 50,000 directly from their national allocations to prepare each plan.

²⁰ United Nations Development Assistance Framework (UNDAF) of the UNDP, and Country Assistance Strategies (CAS) or Poverty Reduction Strategy Program (PRSFP) of the World Bank.

126. Countries receiving allocations over [\$30] [\$20] million should prepare separate national plans for natural resources management (covering biodiversity, land degradation, international waters), climate change and chemicals. Countries receiving a lower national allocation may cover all focal areas in a single document or separate plans per focal area depending on the country's needs. The national plans will be shared with the respective conventions for public disclosure as well as through the GEF website.

GEF National Steering Committees

127. Over the history of the GEF there has been an effort to align GEF interventions ever more closely with national priorities. Thus, the decision that each country would have both a Political and an Operational Focal Point with clearly defined responsibilities in this respect. In particular, the Operational Focal Points were expected to follow closely the project cycle and to ensure that projects/programs would respond to national priorities. In order to further strengthen this system and to ensure internal coordination, it is proposed that beginning in GEF-5 each recipient country will set up a GEF National Steering Committee to be chaired by the Operational Focal Point. This committee shall include, *inter alia*, the ministries of environment, agriculture, industry, energy, planning and finance as well as representatives of Civil Society Organizations. Each country may adapt the membership to national circumstances.

128. The main responsibility of a GEF National Steering Committee will be to finalize the National Plans, and review and clear all projects/programs that are submitted for support to the GEF. In this manner the programming of GEF resources in each country will be approved by a process of internal consultation with all relevant stakeholders. The endorsement letter from the Operational Focal Point that backs up each PIF/project document will therefore state that the Steering Committee has considered and approved the document for submission to the GEF in response to its national priorities.

National Dialogue Initiative

129. Currently, the National Dialogue Initiative project facilitates a series of country-level multi-stakeholder dialogues on GEF-related issues and themes. National dialogues aim to raise awareness about the GEF, strengthen country-level coordination and ownership, and clarify and address country GEF needs and priorities linked to national development strategies. The program is currently implemented by UNDP under the strategic guidance of an inter-agency Steering Committee, chaired by the CEO.

130. In order to further integrate these dialogues into the GEF Secretariat corporate activities and so that they may serve as a tool for the work of GEF National Steering Committees, it is proposed that in GEF-5 these dialogues become an individual component of the Country Support Program as described below.

Country Support Program

131. The main objective of the Country Support Program is to strengthen the capacity of GEF focal points to effectively carry out their mandates for supporting global environmental programs

in their countries and constituencies, including the improvement of overall national and constituency coordination of global environmental issues. The program is currently jointly implemented by UNDP and UNEP under the strategic guidance of an inter-agency Steering Committee, chaired by the CEO.

132. Given its importance in conveying the strategies, policies and programs of the GEF at the country level, as well as in ensuring that the GEF identity is linked to the results accomplished through GEF financed activities, it is proposed that the Country Support Program be managed by the Secretariat, and be composed of the following elements:

- (a) Organization of broad, multi-stakeholder dialogues²¹, along the lines of the current National Dialogue Initiative, at the request of the GEF National Steering Committee (see above);
- (b) The CSP currently includes 8 sub-regional workshops a year that provide an opportunity for Focal Points to meet with their counterparts from other countries in the region and GEF Partners to discuss and review policies and procedures and to share lessons and experiences from development and implementation of GEF projects and their integration within national policy frameworks. It is proposed that in GEF-5 this be transformed into one GEF Constituency-level workshop a year, to keep the GEF national focal points, convention focal points and other key stakeholders, including civil society, abreast of GEF strategies, policies and procedures and to encourage coordination. These meetings will follow the outline of the current sub-regional workshops and evolve based on participant feedback. This new format is necessary to be able to invite a larger number of participants per country and keep the workshops manageable. Support will include organization of the meeting, travel and DSA allowance for participants and Secretariat;
- (c) Council Member Support: the current practice is to hold two constituency meetings per year to discuss issues before the Council and adopt positions that the Council Member may then bring to the Council meeting. Since, if point (b) above is approved, there will already be one Constituency meeting in the format of a workshop; it is proposed that in GEF-5 Council Member Support is reduced to one Constituency meeting per year. In addition to the travel and DSA for all participants, including the Secretariat, assistance for organizing these meetings to be increased from \$ 2,000 to \$3,000 per meeting;
- (d) Direct Support to Operational Focal points currently provides resources for the operational focal point to carry out annual work programs in support of its

²¹ These dialogues are expected to involve a diversity of government ministries and agencies, NGOs, communities, academic and research institutions, the private sector, as well as partners and donors in the country. These dialogues will continue to support countries to (i) inform themselves about global environmental issues and GEF policies and procedures; (ii) take stock of GEF-financed activities and results of GEF country portfolio; (iii) further define priorities for funding and develop national strategies and plans; (iv) strengthen national GEF coordination processes and mechanisms and inter-sectoral coordination; and (v) enhance inter-agency collaboration and partnerships and promote integration of GEF in national environmental and sustainable development plans and processes.

activities. It is proposed that in GEF-5 this activity continues and that the amount is increased from \$8,000 to \$10,000 per year;²²

- (e) Knowledge Management Tool (<http://www.gefcountrysupport.org>) is currently designed on the basis of the requirements and needs expressed by focal points. It is proposed that during GEF-5 this tool is further developed to reflect the evolving needs of GEF focal points, and also target other relevant stakeholder groups;
- (f) Familiarization Seminars are currently aimed at new agency personnel and a handful of new operational focal points. It is proposed that in GEF-5 a GEF Familiarization Seminar is held once a year in Washington, D.C., to train new country focal points and agency officers on GEF strategies, policies and procedures; and
- (g) It is a proposed that in GEF-5 a new component is added to the CSP: “Targeted Support to Facilitate Direct Access”. This component will be designed to build capacity in those national entities that are nominated to be considered for direct access, but do not clear the accreditation process, particularly GEF fiduciary standards.

133. The Country Support program, as described above, addresses different aspects of basic capacity development in recipient countries. In addition, countries need capacity development that goes beyond the basic support provided through the CSP. While a major share of capacity development activities are undertaken through programs and projects funded under the GEF focal areas, there are a critical set of cross-cutting capacity development activities that are supported under corporate programs.

Cross-cutting Capacity Development

134. All capacity development activities in the GEF are undertaken under the aegis of the *Strategic Approach to Enhance Capacity Building* (GEF/C.22/8) approved by the GEF Council in GEF-4. The strategy responds to the concerns and priorities expressed by the international community (e.g., the 2005 Paris Declaration on Aid Effectiveness). It also reflects the guidance from the conventions to the GEF to provide support for country-driven capacity development activities, particularly for least developed countries (LDCs) and small island developing states (SIDS).

135. In addition to capacity development components in programs and projects in the focal areas, GEF funds are also targeted for cross-cutting capacity development activities in recipient countries – in GEF-4, support was provided to prepare National Capacity Self Assessments (NSCAs) that is serving as a planning document for capacity development in every country. Funding to a limited number of countries was also provided for cross-cutting capacity building interventions identified in the NCSAs that included cross-cutting capacity building projects using targets, indicators and tracking tools for capacity development.

²² The amount has not been adjusted for several years, and there is the pressing need for more resources for the support to be effective.

Capacity Development in Projects and Programs

136. In GEF-5, it is proposed that capacity development components in projects and programs be coordinated with the overall enhanced capacity development strategy in order to ensure that the activities are focused with specific targets, indicators and tracking tools for capacity development for each focal area. Capacity development will be focused on strengthening of capacities of focal areas for management and implementation of international conventions.

Development of a Project Management Curriculum

137. In order to increase country ownership and further enable direct access to GEF resources as well as to overcome some staffing limitations it is proposed to develop a global project management curriculum that would include project identification, preparation, implementation, monitoring and evaluation issues as well as project cycle, incremental reasoning and cost effectiveness analysis and other relevant items. The curriculum will be taught through a local/regional university over a one year period covering both formal tuition and on the job training in real projects. The GEF will certify the program and the educational institution will grant the final diploma. The program will aim to have up to ten trained and certified project managers per country. These certified managers will have developed skills that qualify them to manage any cooperation project a country may undertake with other partners. Thus effective in country capacity will have been achieved.

New Modalities of Capacity Development

138. Support for capacity development will be also provided for all GEF recipient countries in a way that addresses the actual constraints and results in a comprehensive and targeted capacity improvement to identify, develop and implement projects and programs addressing specific issues that are not covered by focal area projects. Capacity development will sustain the GEF funded programs and projects by using new modalities like South-South cooperation, sustaining knowledge sharing mechanisms developed on a bilateral or multilateral basis among developed and developing countries and other innovative approaches.

Capacity for Managing Programmatic Approaches in SIDS and LDCs

139. In the case of programmatic approaches for SIDS and LDCs there is a need to provide support for the capacity to manage the overarching program and guide the national authorities in the preparation and implementation of the projects included in the program.

Table 7: Results Framework for Capacity Development

1.4 - Strategic Goal 4 - Build national and regional capacities and enabling conditions for global environmental protection and sustainable development

Objective 1: Enhance capacities of stakeholders for engagement through consultative process	
Expected Outcomes	Core Outputs
140. Consultative mechanism established for proactive and constructive engagement of all interested stakeholders	Established platform (seminars, national consultations and dialogs) for enabling all key stakeholders to participate
Objective 2: Generate, access and use of information and knowledge	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • Institutions and stakeholders have skills and knowledge to research, acquire and apply information collective actions • Capacity of stakeholders for ability to diagnose, understand and transform it into local actions and search for potential solutions increased • Public awareness raised and information management improved 	<p>Institutions and stakeholders trained how to use different tools available to manage information</p> <p>Stakeholders are better informed via workshops and trainings about global challenges and local actions required</p> <p>Public awareness campaigns and other activities organized</p>
Objective 3: Strengthened capacities for policy and legislation development for achieving global benefits	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • Enhanced institutional capacities to plan, develop policies and legislative frameworks for effective implementation of global conventions 	National plans, policies and legal frameworks developed
Objective 4: Strengthened capacities for management and implementation on convention guidelines	
Expected Outcomes	Core Outputs
<ul style="list-style-type: none"> • Enhanced institutional capacities to manage environmental issues and implement global conventions • Good environment management standards defined and adopted • Sustainable financing mechanisms in place at national level 	<p>Institutional capacities for management of environment strengthened.</p> <p>Standards developed and adopted</p> <p>Financing mechanisms for environment created</p>
Objective 5: Capacities enhanced to monitor and evaluate environmental impacts and trends	
Expected Outcomes	Core Outputs

<ul style="list-style-type: none"> • Enhanced skills of national institutions to monitor environmental changes • Evaluation of programs and projects strengthened and improved against expected results • Increased capacity for evaluation 	<p>Monitoring systems established</p> <p>Evaluation system for programs and projects established</p> <p>Learning system established to provide feedback to policy, strategies and management decisions from evaluation reports</p>
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Small Grants Program

141. The Small Grants Programme (SGP) enables global environmental benefits to be delivered at local levels through local community, community based organization (CBO), and NGO action. By the end of GEF4 participation in the GEF Small Grants Programme (SGP) had grown to 123 countries and more than 11,000 partnerships with local NGOs and CBOs. At least ten (10) more countries have expressed their interest in joining the SGP and there is an opportunity in GEF5 to make the SGP truly global as the GEFs premier flagship country-driven mechanism to provide fast and effective access to GEF resources for civil society and for poor and vulnerable communities.

142. To achieve this requires a combination of strategic, managerial and financial innovations. It is proposed that the more mature SGP country programmes are upgraded in GEF-5, allowing them to seek GEF funding through a modality equivalent to a Full Size project. Others will continue to rely on the core programme for funding; using resources both within and outside the resource allocation system. All in all there would be 133 countries and more than 20,000 projects and local partnerships established by the end of GEF5.

143. Upgraded country programmes will function in a more independent manner and take broader responsibilities, seeking access to larger amounts of funding from a variety of sources, while still remaining a part of the overall global SGP for knowledge exchange and communications. Upgraded country programmes will continue to fully comply with SGP operational guidelines and fiduciary standards.

144. The decentralized and country-driven nature of SGP will be sustained through strengthened SGP National Steering Committees and National Focal Groups. These will be required to actively and effectively preserve, promote and disseminate the GEF identity of the SGP. Strategic advice will be provided by the existing inter-agency Steering Committee chaired by the GEF CEO and UNDP will retain responsibility and accountability for programming and operational management.

145. Basic resources will be assigned from the core fund and it is anticipated that additional resources will be mobilized through allocations by countries from their STAR allocations, GEF projects submitted by the upgraded country programmes, and cofinancing raised from other sources, including the CBO's and NGO's own resources.

Conflict Resolution

146. A well-functioning conflict resolution system is critical to ensuring that recipient countries have a trustworthy system for resolving complaints and conflicts that emerge in the process of requesting GEF resources and implementing GEF-financed programs and projects. This is key to enhance the credibility of the GEF partnership with all stakeholders.

147. A beginning was made in GEF-4 with the introduction of a Conflict Resolution Commissioner in the Secretariat, and establishment of some basic norms of engagement with GEF Agencies and countries in identifying and resolving conflicts in a timely manner. Further development of this function in GEF-5 will include, inter-alia:

- (a) Enhanced measures to protect the integrity of the organization (policy reviews and assessments to sustain confidence in the GEF, review of public disclosure, development of guidelines, procedures and tools, sensitization of stakeholders, enhance responsiveness);
- (b) Conflict/dispute settlement framework for handling cases, documentation, data base and tracking tools, communication, preventive strategy, rules and procedures, strengthening capacity at the level of the secretariat and among other stakeholders; and
- (c) Special outreach and cooperation with GEF Agencies, Focal Points and Conventions.

RESULTS-BASED MANAGEMENT FRAMEWORK

148. Results Based Management (RBM) has been on the GEF agenda for several years. It is codified in policy, embedded in strategy at the Focal Area level and helps to drive reporting.

149. While these steps have generated well documented successes, a number of issues still hinder the GEF's ability to consistently report outcome level results. There tends to be an over-emphasis on reporting results and insufficient attention to using results information for internal management. As well, the issue of attribution remains problematic. Focus and attention is placed on high level results – impact – which are often long-term in nature with less attention to immediate outcomes, outputs and other measures of performance that are good proxies for progress towards achieving higher-level results. These gaps make it difficult to show interim progress towards outcomes and impact achievement, to identify management issues early on, and to take timely corrective action.

150. During GEF-5 a number of these issues will be addressed through a strategy that aims to develop a coherent and standardized approach to support management, accountability and learning. Processes will be put in place to track portfolio progress, to report on and learn from interim results, and to look critically at risks affecting the ability to deliver. Current and relevant information will be essential for updating strategies to minimize risks on an ongoing basis. Specifically, the main benefits of strengthening RBM in GEF-5 are:

- (a) *Improved project performance.* RBM will contribute to more efficient processes to support project development, monitoring and reporting based on regularly

updated monitoring information. Attention will be given to working with GEF Agencies in order to reduce project development time and costs, replicate good practice, and provide stakeholders with timely feedback; and

- (b) *Greater catalytic impact of GEF projects.* A more strategic development of projects, policies, and strategies based on a standardized and regular flow of performance information. Attention will be given to replicating good practice and avoiding repeated weaknesses.

RBM Areas

151. RBM during GEF-5 will build on the good practice developed from GEF-3 and GEF-4, to focus on three main areas: Ongoing performance monitoring for reporting and accountability, knowledge sharing, dissemination and strategic results coordination.

152. Ongoing performance monitoring for reporting and accountability. Collecting timely performance information to monitor portfolio progress. During GEF-5 greater attention will be given to streamlining reporting requirements and supporting the development or refinement of performance measurement tracking tools and systems.

153. The GEF-5 RBM strategy also addresses the gaps in process, performance and outcome results by introducing corporate level effectiveness and efficiency priorities and indicators.

154. Indicators for corporate level processes will be tracked and will include: (i) quality at entry (project approval) for each cluster and focal area, which will take into consideration project objectives, strategic relevance, efficiency, role/ contribution to the GEF mandate and convention goals. It will also include RBM issues such as: design of the baseline, collection of baseline data, and a project monitoring strategy with sufficient budget allocation; (ii) document processing efficiency including turn around and approval times; (iii) Resource allocation including securing financing, financing mechanisms and efficiency of use; and (iv) Gender and staff issues. A summary dashboard report will be prepared for managers on a six month basis, providing an overview of portfolio design and implementation progress and results.

155. In tandem with period strategic desk reviews of the portfolio, the Secretariat will take over the Quality of Supervision Reviews from the EO and emphasize portfolio performance monitoring. During GEF-5 the Secretariat will undertake selective and targeted field monitoring triggered by information coming from ongoing performance monitoring, and learning objectives for each focal area. This will allow for in-depth review of selected themes, progress towards results or process issues. Topic priorities for GEF 5 will be developed in tandem with the development of each Focal Area strategy in consultation with the GEF Agencies. The Secretariat will also work with GEF Agencies to develop a system where risks can be more carefully tracked at the portfolio level.

156. Knowledge sharing, dissemination. Using information exchange and learning to improve project effectiveness and policy design. The GEF deals with many types of knowledge²³ as it

²³ From a practical perspective knowledge refers to rigorously collected lessons, good practice, monitoring data, evaluation findings, study results or research.

fulfills its mandate to finance global environmental benefits. The most critical knowledge is related to environmental management and sustainable development practice. As the GEF continues to expand its experience and learning on environmental practice it will increasingly become a knowledge-based organization. Under GEF-5, the goal is to strengthen knowledge creation, sharing and use- either tacit knowledge that resides with individuals or codified knowledge documented on paper - as a way of doing business.

157. During GEF-5, as a financing agency that helps achieve regional and global benefits, the GEF will promote innovation based programs, support institutional and policy transformation, and targeted research. The results, experiences and lessons from this diverse portfolio are of direct interest to a broad range of stakeholders. There is a growing need for lessons and experiences from these types of projects, and to ensure that emerging factors influence GEF's strategies, policies and the effectiveness of the projects it finances. Priorities include adopting tools and guidance, and strengthening analytical capacity specifically with regards to assessing results and progress towards learning objectives. Knowledge dissemination would be closely linked to GEF-5 knowledge management actions. Specifically greater attention to KM in GEF 5 will help:

- (a) Bring greater visibility to the work of the GEF and strengthen its environmental leadership role.
- (b) Strengthen partnerships and communication both internally within the GEF, with Council, and with other stakeholders. Fostering partnerships for broader knowledge sharing and learning with GEF stakeholders (including Council Members, GEF Agencies, focal points, staff), other Environmental Organizations/Institutions and the general public.
- (c) Identify successful innovation and ensure that GEF supports cutting edge projects and not only those that work well.
- (d) Strengthen internal KM processes and generate GEF knowledge products for dissemination to GEF staff and stakeholders, including the consolidation of evaluation findings and recommendations, lessons and good practices so that they are easily accessible, disseminated and replicated. Incorporating knowledge and learning into the project cycle is a key element of KM during GEF-5.
- (e) Consolidate GEF Agency project knowledge, highlighting project results, cost effectiveness and scientific evidence supporting the achievement of global environmental benefits.

158. Experience from other agencies and the literature has shown that successful knowledge management is founded on a supportive institutional structure in three essential areas: technology, people, and processes. The Secretariat will develop internally a more supportive knowledge management infrastructure, building on existing assets and on work already being conducted by GEF Agencies. It will also promote a knowledge sharing and learning culture within the GEF and will work to reach wider stakeholder groups, with tailored and well targeted products.

159. Strategic results coordination. A main priority of the GEF-5 Results Based Management strategy is aligning corporate level, Focal Area, and project level results to better support

portfolio management, accountability and learning. The Secretariat in coordination with the GEF Agencies will implement a consistent and integrated RBM approach with the introduction of organization wide strategic goals. These high level strategic goals will allow the GEF to show concrete contributions to global environmental benefits, environmental conventions, and the MDGs, as well as help prioritize results for progress tracking and reporting on an annual basis.

160. To further results chain coherence, GEF-5 will adopt recognized terminology (based on OECD DAC), aim for a more consistent approach to results levels across Focal Areas, and focus results measurement and reporting at two main levels – portfolio and corporate levels.

161. GEF’s results monitoring at the portfolio level will identify and measure outcome results achieved during the project life rather longer-term impacts, which are better captured through evaluations. GEF results monitoring will focus on the measurement of outcomes and core outputs. Attention to immediate outcomes, core outputs and other measures of performance are good proxies for progress towards achieving higher-level results. Implementing Agencies will be responsible for project level results measurement and reporting.

162. Importantly, a small set of indicators with targets will be selected at the corporate and Focal Area level and learning objectives will be identified and assessed to support project implementation and strategy development. Project design, performance monitoring and knowledge management will build on the findings and lessons resulting from tracking Focal Area results and the learning objectives.

163. The GEF 5 approach moves beyond reporting results and gives attention to using results information for internal management, learning, and accountability. The results architecture, with the corporate level strategic goals is detailed in Figure 1 on page 6. Some indicators that could measure GEF effectiveness and efficiency at the corporate level are suggested in Annex 3.

Specifically the GEF results framework:

- Standardizes terminology building on the OECD DAC terms to achieve coherence and synergies across Focal Areas and with GEF Agencies
- Emphasizes portfolio level results measurement and reporting of sustainable improvements in outcomes and progress towards GEB
- Provides a coherent framework for improved decision-making

PROPOSED RESOURCE ENVELOPES FOR GEF-5

164. The resource envelopes for GEF-5 are based upon the focal area strategies, cross-cutting strategies, and corporate program strategies as outlined in this document. The strategies have been developed to support an approach to programming that would be supported by a substantial increase, in real terms, of the replenishment of the GEF.

165. In considering targets for replenishment, three levels were considered. The current level at about \$3.13 billion does not provide an adequate level of resources necessary if the GEF is to expand the scope of the resource allocation system; moreover, adaptation funding would continue to languish at the current inadequate levels. A replenishment target of \$5 billion, while an increase in nominal terms, would keep the GEF at about GEF-2 levels in inflation-adjusted terms, and would, in real terms, represent business-as-usual with no significant increase possible in any area of activity. A target of \$10 billion provides room for significant increases in activities across the board with the potential for transformative engagements, particularly in climate change mitigation and adaptation. It also provides room for potential expansion of the scope of the resource allocation system. Therefore, the programming strategies outlined in this document are targeting an overall GEF-5 replenishment target of \$10 billion, including \$1 billion for the concomitant replenishment of the Least Development Country Fund (LDCF) and the Special Climate Change Fund (SCCF).

Table 8: Proposed Resource Envelopes for GEF-5

Focal Area/Theme	GEF-4 Resource Envelopes (US\$ million) at replenishment	Proposed GEF-5 Target (US\$ million)
Biodiversity	950	2,000
Climate Change	950	3,500
International Waters	335	785
Chemicals	322	780
Land Degradation	282	785
Total- Focal Areas	2,839	7,850
Corporate Programs	61	60
Small Grants Program	110	220
Total - Corporate Programs	171	280
Earth Fund		500
Non-grants (transformation)		170
Corporate Budget	120	200
TOTAL-GEF Trust Fund Replenishment	3,130	9,000
LDCF & SCCF ²⁴		1,000
TOTAL REPLENISHMENT		10,000

²⁴ Refer to GEF/R.5/12, *LDCF & SCCF Programming Strategy for Adaptation*.

Annex 1: Use of Non-Grant Instruments with Public Entities

1. As described in the section on *Private Sector Strategy*, the primary vehicle of the GEF to engage with the private sector, the *GEF Earth Fund*, will extensively use non-grant instruments to better leverage GEF resources, avoid market distortions with the aim of seeking a stronger financial sustainability in the long run. However, as outlined in the paper discussed by the Council in April 2008, GEF/C.33/12, the use of non-grant instruments within the GEF does not have to be restricted to the private sector, and can also be a powerful tool with public entities to strengthen the transformative impact and leverage GEF support for a more environmentally sustainable development. The Instrument clearly states that the purpose of the GEF in general is to “provide new and additional grant and concessional funding” to achieve global environmental benefits.
2. It is proposed that under GEF-5, the use of non-grant instruments with public entities be scaled up with a set-aside of \$170 million, building on the past experience of the GEF and its Implementing and Executing Agencies in this field, as well as the GEF comparative advantages. GEF engagement in this area so far has mainly focused on providing risk and credit guarantees to support investments, e.g., in the field of energy efficiency and to support the development of energy service companies (ESCOs), in particular in China, where GEF support is widely acknowledged as having been pivotal in the successful development of this business model. For GEF-5, these tools would continue to be developed to support loans that target investments with strong benefits for the global environment, in particular in the field of climate change mitigation, with GEF funds used on a first-loss basis with no mandatory country counter-guarantee, unlike most other multilateral funders. Moreover, other tools would also be considered, while ensuring that other funding channels are not duplicated. In particular, it could be envisaged to blend GEF resources with those of multilateral development banks to provide, through a highly concessional loan, financing for innovative and pilot investment projects that require substantial upfront financing.
3. The GEF-4 RAF, as well as the STAR as it currently envisaged, does not provide any incentive for recipient countries to use non-grant instruments even when their use could be, from the GEF perspective, more efficient and cost-effective. Also, the April 2008 discussion made clear that the Council was of the view that their use should remain voluntary and in principle be open to all recipient countries. Bearing this into account, it is proposed to set up under GEF-5 an incentive mechanism broadly similar to the one described above for the cross-cutting sustainable forestry program: countries that will agree to use part of their allocations for concessional non-grant instruments will be rewarded with additional funding from the “non-grants” set-aside. Moreover, the possibility that part of the reflows generated from non-grant instruments could be re-programmed, with the approval of the GEF Council, to the benefit of the same country will be considered, if the latter is still eligible for GEF funding.

Annex 2: Expected Private Sector Engagement Outcomes for GEF-5

Climate Change

The proposed goal for GEF-5 in this focal area is to support developing countries and economies in transition towards a low-carbon development path, through the implementation of six objectives. These objectives and their anticipated private sector engagement outcomes are as tabulated below:

Objectives	Expected Private Sector Engagement Outcomes
(i) Promote the demonstration, deployment and transfer of advanced low-carbon technologies	<ul style="list-style-type: none"> - Technologies successfully demonstrated, deployed and transferred.
(ii) Promote market transformation for energy efficiency in industry and the building sector	<ul style="list-style-type: none"> - Sustainable financing and delivery mechanisms established. - Increased market penetration of energy efficient technologies and products.
(iii) Promote investment in renewable energy technologies	<ul style="list-style-type: none"> - Increased investment in renewable energy technologies. - Increased access to electricity from renewable sources.
(iv) Promote energy efficient, low-carbon transport and urban systems	<ul style="list-style-type: none"> - Innovative technologies, practices and financing mechanisms introduced. - Increased investment in less GHG-intensive transport and urban systems.
(v) Conserve and enhance carbon stocks through sustainable management of land use, land-use change and forestry	<ul style="list-style-type: none"> - Good management practices in LULUCF adopted both within the forest land and in the wider landscape. - Restoration and enhancement of carbon stocks in forests and non-forest lands, including peatland. - Sustainable financing mechanisms established.
(vi) Continue to support enabling activities and capacity building	<ul style="list-style-type: none"> - Enabling conditions created for private sector investment, including: access to financing, conducive policy environments, appropriate business models and management skills, sufficient information and awareness, and technological factors.

Biodiversity

The proposed goal for GEF-5 is to contribute to the conservation and sustainable use of biodiversity and the maintenance of ecosystem goods and services through the implementation of four objectives. These objectives and their anticipated private sector engagement outcomes are as tabulated below:

Objectives	Expected Private Sector Engagement Outcomes
(i) Improve sustainability of protected area systems	<ul style="list-style-type: none"> - Payment mechanisms for ecosystem goods and services. - Private sector participation in sustainable financing plans.
(ii) Mainstream biodiversity conservation and sustainable use into production landscapes/seascapes and sectors	<ul style="list-style-type: none"> - Sustainable social and economic development around protected areas through SME activities. - Certified products from private sector supply chains.
(iii) Build capacity for the implementation of the Cartagena Protocol on Biosafety (CFB)	<ul style="list-style-type: none"> - Appropriate regulation of private sector in safe use and application of biotechnology.
(iv) Build capacity on access to genetic resources and benefit sharing	<ul style="list-style-type: none"> - Limited at present.

Land Degradation

The proposed goal for GEF-5 is to contribute to arresting and reversing current global trends in land degradation, specifically desertification and deforestation, through the implementation of four objectives. These objectives and their anticipated private sector engagement outcomes are as tabulated below:

Objectives	Expected Private Sector Engagement Outcomes
(i) Maintain or improve a sustainable flow of agro-ecosystem services to sustain the livelihoods of local communities	<ul style="list-style-type: none"> - Small and medium agro-business development - Eco-labeling for crops and livestock (organic, sustainably managed, biodiversity friendly...) - Technology development and transfer (tools, small machinery, irrigation equipment, organic fertilizer, manure management techniques, biogas technology etc).
(ii) Generate sustainable flows of forest ecosystem services in arid, semi-arid and sub-humid zones, including sustaining livelihoods of forest-dependent people	<ul style="list-style-type: none"> - Harvesting and processing of non-timber forest products (e.g. medicinal and cosmetic plants, honey) - Eco-labeling for timber and non-timber products (sustainably managed – e.g. FSC, biodiversity friendly...) - Technology development and transfer (e.g. technology related to reduced and low-

	impact logging, biofuel technology for wood residues etc).
(iii) Reduce pressures on natural resources from competing land uses in the wider landscape	<ul style="list-style-type: none"> - Combination of the above - Mining sector e.g. for off-setting land cover and land use change through TF arrangements for local farmers; - PES, especially in watersheds for water services (potential for involving water companies with interest to ensure water quality and quantity)
(iv) Increased capacity to apply adaptive management tools in sustainable land management	- Limited

International Waters

The proposed goal for GEF-5 is the promotion of collective management of transboundary water systems to sustainable use and maintenance of ecosystem services, through the implementation of five objectives. These objectives and their anticipated private sector engagement outcomes are as tabulated below:

Objectives	Expected Private Sector Engagement Outcomes
(i) Build foundational capacity for collective, multi-state engagement of transboundary surface, groundwater and marine systems	<ul style="list-style-type: none"> - Early engagement of private sector stakeholders in diagnostic analyses.
(ii) Catalyze multi-state and SIDS cooperation to balance competing uses of transboundary surface and groundwater basins while considering climate change and variability	<ul style="list-style-type: none"> - Innovative solutions demonstrated, with private sector involvement, for reduced water use, reduced pollution, habitat conservation/restoration and sustainable groundwater management.
(iii) Catalyze integrated, ecosystem-based approaches to improved management of large marine ecosystems and their coasts while taking account of climate change and variability	<ul style="list-style-type: none"> - Innovative solutions demonstrated, with private sector involvement, for reduced pollution, sustainable fisheries and aquaculture and habitat conservation/restoration.
(iv) Support improved management of marine areas beyond national jurisdiction (cooperative pilot with the Biodiversity focal area)	<ul style="list-style-type: none"> - Introduction of sustainable fishing methods. - Certification of food products from sustainable high seas fisheries.
(v) Demonstrate reduced pollution from persistent toxic substances, particularly endocrine disruptors (cooperative pilot with Chemicals FA)	<ul style="list-style-type: none"> - Pollution prevention for PTS adopted in private sector operations.

Chemicals

The proposed goal for GEF-5 is to promote the sound management of chemicals throughout their life-cycle in ways that lead to the minimization of significant adverse effects on human health and the environment, through the implementation of four objectives. These objectives and their anticipated private sector engagement outcomes are as tabulated below:

Objectives	Expected Private Sector Engagement Outcomes
(i) Phase out production and use of controlled chemicals	<ul style="list-style-type: none"> - Specific POPs or ODS phased out from production. - Environmentally sound alternative products, practices and techniques promoted.
(ii) Manage the use of chemicals	<ul style="list-style-type: none"> - Enterprises implementing ESM for PCBs. - PCB-containing electrical equipment covered by ESM and registered.
(iii) Addressing releases of chemicals	<ul style="list-style-type: none"> - Sustainably reduced or avoided releases of POPs byproducts from industrial sectors.
(iv) Waste prevention, management and disposal and contaminated sites	<ul style="list-style-type: none"> - POPs and other obsolete pesticides repackaged to appropriate standards and moved to secure storage. - PCB-contaminated oils disposed of. - PCB-contaminated equipment cleaned and dismantled in environmentally sound facilities. - Facilities available, certified and/or registered for environmentally sound disposal of PCBs and PCB-contaminated oils and parts.

Annex 3: Indicators for Corporate Efficiency and Efficiency

GEF Effectiveness and Efficiency

Secure financing and financing mechanisms

1.1 - Increased and diversified contributions	Target
1.1.1 - Total value of contributions (US\$)	billion
1.1.2 - Number of donors	
1.1.3 - Percentage of resources contributed by the top ten donors	
1.1.4 - Actual contributions against pledged	
1.1.5 Pledged contributions available according to schedule	
1.1.6 - Co-financing achieved versus planned	

Enhance visibility of GEF

2.1 - Increased advocacy and political awareness of GEF	Target
2.1.1 - Number of mentions of GEF in print and online media in major countries	
2.1.2 Number of hits on GEF website	

Improve Efficiencies in Project and Program Management

3.1 - Improved timeliness of program design	Target
3.1.1 - Average turn-round response time (days) for project documents	
3.1.2 Average time from PIF entry through technical clearance	
3.1.3 Average time from technical clearance to approval/ endorsement	
3.1.3 Time spent on project/program review	
3.1.4 Average Time Period CEO endorsement and first project disbursements	
3.1.5 Average Time period of extension of closure date	
3.2 More efficient cost structure	
3.2.1 Overhead costs as a % of total annual disbursements	

Improve Quality of Entry

4. Quality of Entry	Target
4.1- Percent of project with outcomes aligned to country programme (national priorities) outcomes broken down by Full Size project, Medium Size project, Focal area, Region	
4.2 - Percent of projects with baselines completed at CEO approval /endorsement	
4.3 - Percent of project with M and E plan in place at CEO approval/endorsement	
4.4- Percent of projects with stakeholder consultations completed by CEO approval/endorsement	
4.5- Percent of projects that include gender analysis	
4.6- Percent of projects that include climate change risk and vulnerability assessment	

Ensure balance in staff and gender representation

4.1 - Gender sensibility and equality ensured	Target
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4.1.1 - Percentage of international professional staff (by gender and geographical distribution):	
▪ women	50
▪ geographical distribution from developing countries	
4.2 - Skilled and motivated staff hired and retained	Target
- Average staff satisfaction rating (%) based on survey results	
- Staff loss rate ²⁵	
-Average time to fill consultant and professional vacancies	

²⁵ Percentage of staff separation and retirements on total staff