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BACKGROUND

1. The GEF was initially established as a pilot program in 1991 to provide financing to developing countries for the incremental costs of projects that produce global environmental benefits in four areas: biodiversity, climate change, international waters, and ozone depletion. At the UN Conference on Environment and Development (UNCED) in 1992, the GEF was recognized as a source of funding for relevant activities under Agenda 21 that may contribute to achieving global environmental benefits. UNCED also called for the GEF pilot program to be restructured.

2. In 1994, governments agreed to a restructuring of the GEF and recognized it as a mechanism for international cooperation for the purpose of providing new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve global environmental benefits in its four focal areas. In 2002, Governments participating in the GEF agreed to expand the GEF focal areas to include land degradation and persistent organic pollutants in support of the UN Convention to Combat Desertification and the Stockholm Convention on Persistent Organic Pollutants.

3. In 1994, the GEF Trust Fund was replenished (GEF-1) at \$2.0 billion for 4 years. In 1998, the Trust Fund was replenished at \$2.75 billion (GEF-2, 1998-2002) and in 2002, donors committed \$3 billion to GEF-3 (2002-2006). Negotiations on the fourth replenishment of the GEF began in June 2005.

4. This paper presents a proposal for programming resources in the fourth replenishment period which is expected to cover GEF operations and activities for the four years July 1, 2006, to June 30, 2010. This paper, in its second version, builds on the paper presented in June at the first replenishment meeting by incorporating views expressed at that meeting and recommendations emerging from the Third Overall Performance Study of the GEF (OPS3).¹ The paper is structured in three substantive sections. The first section elaborates on strategic concepts that will underlie all programming in GEF-4 to ensure that it is responsive to the mandate of the GEF while recognizing the evolving perspectives of the international community with respect to the global environment and sustainable development. The second section provides an overview of programming proposals for the GEF focal areas. The third section of the paper sets out the institutional and organizational management issues proposed to be addressed in GEF-4. Annexes provide more details on programming within individual focal areas, including an indication of the outcomes and impacts expected to be achieved with the resources to be provided.

¹ At their meeting in June 2005, Donors agreed that the Secretariat should set out the Management Response to OPS3 in the present Programming Document rather than as a separate report.

5. SECTION I: PROGRAMMING DIRECTIONS

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

6. The GEF Council and the international community have consistently emphasized the GEF's core mandate of providing new and additional financing for the agreed incremental costs of projects and programs in developing countries that produce global environmental benefits. This mandate continues to be the underlying rationale for GEF activities. During the past decade, analysis and deliberations within the international community have led to evolving views about the 'how' of environmental management and about the need for a better integration of environment and development thinking. This has been reflected in the Millennium Development Goals², the plan of implementation of the World Summit on Sustainable Development (WSSD), and evolution of the four global environmental conventions for which the GEF serves as a financial mechanism. It is proposed that during GEF-4, the GEF more actively seek to reflect this evolution in its approaches and programming.

7. In the past decade, Parties to the conventions have gained valuable experience through their efforts to fulfill the convention objectives, in part with GEF assistance, while scientific analysis and international review have deepened knowledge of the root causes of global environmental challenges. This experience and knowledge provide the basis for improved approaches to achieving on-the-ground results and enhancing the sustainability of our efforts. They have underscored the critical relationship between environmental protection and development and the interconnectivity of global ecosystems.

8. Within the climate change arena there is growing recognition of the need to link efforts to protect the global climate with the growing needs for access to sustainable energy for development. As well, a growing awareness of the need to adapt to the adverse impacts of climate change has highlighted the challenge of making development efforts climate resilient and the benefits of ensuring the health of natural ecosystems as protection against such adverse impacts.

9. Within the Convention on Biological Diversity, the importance of community involvement and livelihoods as a prerequisite for sustainable protection of natural resources has long been recognized. Lessons learned from GEF-financed projects have emphasized this as a key driver of project success. Its importance is also underscored by the Millennium Ecosystem Assessment's conclusion that measures to conserve natural resources are more likely to succeed if local communities are given ownership of them, share the benefits, and are involved in decision making. In addition, increasing attention to conservation outside protected areas requires the development of new tools to effectively engage the private sector and markets within the production sectors and landscapes.

10. Underlying agreement on the Stockholm Convention is a shared awareness of the adverse effect persistent organic pollutants have on both human health and the natural environment. The convention recognizes the health concerns, especially in developing countries, resulting from local exposure to persistent organic pollutants. Of particular concern are the impacts upon

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

women and, through them, upon future generations. Interwoven with these health impacts is the long term negative impact of these pollutants on the health of terrestrial and aquatic ecosystems.

11. The UN Convention to Combat Desertification confirms that combating desertification and mitigating the effects of drought requires integrated natural resource management strategies that focus simultaneously on the rehabilitation, conservation and sustainable management of land and water resources, leading to improved living conditions, particularly at the community level.

12. All four conventions acknowledge the synergies between them and the need for more integrated approaches in programming, a conclusion reinforced by the recently released Millennium Ecosystem Assessment.

13. All four conventions acknowledge as well the crucial link between global environmental protection, sustainable development and human welfare, and the negative impacts, particularly on the poor, of not addressing global environmental challenges as recognized in the Millennium Development Goals and the plan of implementation of the WSSD.

14. It is imperative that the GEF ensure that its activities fully realize and respond to both the challenge of more integrated approaches to natural resource management and to a strengthened link between environment and development.

15. The GEF is uniquely placed to address these two challenges in an integrated and cost effective manner. During GEF-4, it is proposed that:

- (a) the GEF move towards more integrated approaches to the natural resource management challenges that span the global environmental agreements. Pursuing integration across focal areas, will allow GEF to fulfill its role as catalyst and facilitator of global environmental sustainability;

and secondly, that:

- (b) the GEF, with a view to enhancing the potential for sustainable project outcomes, pay even greater attention to integration of global environmental challenges into national sustainable development policies and programs, enabling the development of markets for global public goods, engagement of the private sector, and impacts on the livelihoods of local and indigenous communities whose support and cooperation is often critical to the success of GEF projects.

The Challenge: Moving towards Integrated Resource Management

16. Historically, the benefits generated beyond the primary focal area of a GEF project intervention have been viewed as incidental. There is, however, a growing recognition of the need for linkages among focal areas to be made more explicit and to have GEF projects and programs designed so that the added-value of integration across focal areas is considered from the outset, and that it is monitored and measured accordingly. It is proposed that efforts be initiated in GEF-4 to move the GEF further towards this objective.

17. The GEF is uniquely placed to demonstrate integrated and collaborative approaches to the natural resource management challenges that cut across the multilateral environmental agreements. As a partnership among Bretton Woods and UN institutions, and its roles vis-à-vis the major global environmental conventions, the GEF can catalyze and support the action of client countries to meet their obligations under the conventions and other treaties in a more strategic and integrated way. Pursuing integration across focal areas, at various levels, (basin, landscape, ecosystem, country, and region) will allow GEF to most effectively fulfill its role of catalyst and facilitator of global environmental sustainability and strengthen its role in helping countries meet their national commitments while enhancing the global environment.

18. GEF will work with its Implementing Agencies to develop incentives, modalities and performance measures necessary for better integrating global environmental concerns in national policy making, coordination and sector planning.

19. For detailed information on the proposed approach to pursuing integrated approaches across the GEF focal areas see Annex 8 to this paper. The approach to integrated natural resource management is also elaborated upon in the Council document, GEF/C.24/6/rev.2, *Scope and Coherence of the Land Degradation Activities in the GEF*.

The Challenge: Strengthening the Environment and Development Link

20. Historically, environment and development were to a significant extent, distinct domains. Since UNCED the gap has been closing. This has been highlighted in recent events, such as agreement on the Millennium Development Goals, the Monterrey Consensus on Financing for Development, and the WSSD.

21. GEF financed activities directly contribute to the achievement of the Millennium Development Goals in all its focal areas. For example, GEF financed activities have extended renewable energy and lowered its cost to communities; have promoted sustainable agriculture and rural development; have prevented land degradation and protected crop species; and have reduced health risks from water pollution in both rural and urban areas, especially with regard to pollution from industrial and municipal waters and agricultural runoff, which threaten water for drinking and other purposes.

22. GEF projects help developing countries and civil society in those countries to identify and/or adopt new approaches and alternative livelihoods that sustain the environment, while maintaining or improving their standard of living. As concluded by the Millennium Ecosystem Assessment, “the degradation of ecosystem services could grow significantly worse during the first half of this century and is a barrier to achieving the Millennium Development Goals.” GEF is the leading financial institution assisting developing countries to protect and manage their ecosystems and the services those essential systems provide.

23. GEF Implementing Agencies work with countries to ensure that global environmental perspectives are taken into account in national sustainable development planning. The incorporation of GEF activities into poverty reduction plans and national sustainable development strategies through country dialogue and policy discussions contribute to mainstreaming of global environmental issues into sustainable development strategies.

24. The roles of the GEF in support of the multilateral environmental agreements uniquely position the GEF to contribute to the integration of global environmental policies into sustainable development. The evolution of the four global conventions over the last decade has increasingly emphasized the links between global environmental activities and the achievement of sustainable development and the MDGs.

25. In the UNFCCC, the increasing focus on adaptation necessarily leads to a greater focus on development concerns and greater recognition of the vulnerability of the poor to the adverse impacts of climate change. In the CBD, the focus on the sustainability of protected areas has led to greater attention to livelihoods, local communities, and indigenous people. Its second objective, sustainable use of biodiversity, takes the focus of its biodiversity work into the heart of productive activities and local communities. Human health and environmentally sensitive development is at the heart of the Stockholm Convention. The objectives of the UNCCD clearly link combating desertification with improvements in living conditions, particularly at the community level.

26. Over the long-term, the environment must become an integral part of how societies view development. There is an increasing recognition that for this integration to be successful, it is necessary to recognize the linkages between poverty reduction and environmental protection, to build on the interconnectedness among local, regional and global benefits, and to harness market forces to promote environmental sustainability and the generation of global public goods.

27. The GEF fully recognizes these links and will seek ways to improve the quality of the regional and global environment through interventions that simultaneously bring local benefits to developing countries, especially in the Least Developed Countries. For example, GEF assistance in the biodiversity focal area will continue to support projects that generate multiple benefits (social, ecological and economic) and that have strong linkages to the health, livelihoods and vulnerability of the poor. In the climate change focal area, GEF assistance will help remove barriers that impede the development of sustainable markets for renewable energy applications in order to enhance energy access in recipient countries.

28. GEF's primary mandate clearly continues to be to provide incremental cost financing for the generation of global environmental benefits. However, as noted in the Local Benefits Study prepared by the Office of Monitoring and Evaluation, closer attention to people, livelihoods and poverty issues increases the probability of success and sustainability of results in support of the global environment.

SECTION II: PROGRAMMING FOR GEF-4

29. This section presents a proposal for programming resources in the fourth replenishment period to cover GEF operations and activities for the four years from July 31, 2006, through June 30, 2010. The suggested resources for the period take into account the importance assigned by the international community to the objectives of the GEF, the significant growth in both the demand for assistance and the absorptive capacity of countries, and the delivery capacity of the Implementing Agencies and Executing Agencies, particularly in the two "youngest" focal areas of land degradation and persistent organic pollutants. Both demand and absorptive and delivery

capacity have grown to the extent that they would not be a constraint on operations under any likely funding scenario.

30. Resources committed to the GEF Trust Fund under its fourth replenishment will assist the GEF to facilitate cooperation with developing countries to achieve the objectives of international initiatives such as the Gleneagles G-8 Communiqué, especially the priority assigned to Africa and the “Plan of Action for Climate Change, Clean Energy and Sustainable Development”, the new Asia-Pacific Partnership on Clean Development and Climate as well as the 2005 World Summit Outcome document, in particular its proposals on “Sustainable Development, managing and protecting our common environment.” GEF-4 resources are also essential to advancing implementation of the evolving work programs and goals of the global environmental conventions (for example, the 2010 targets of the Convention on Biological Diversity) and achievement of the Millennium Development Goals and the Plan of Implementation of the World Summit on Sustainable Development.

31. Demand for GEF assistance is continuously increasing as reflected in the pressures to open the GEF pipeline to project concepts beyond the limits of available resources. This pressure has been kept under control through increasingly rigorous pipeline management, but it is clear from the Implementing Agencies that increased resources would be quickly met by a corresponding pipeline of project concepts.

32. The absorptive capacity of countries is evidenced by their growing engagement in the processes of the international environmental conventions; the assessment of needs reflected in the conventions decisions and reviews; the guidance from the conventions on strategies, policies and program priorities; the results of enabling activities; and the growing demands for GEF financing as evidenced by countries’ dialogues with the Implementing and Executing Agencies. The delivery capacity of the agencies is reflected in the growth of the GEF pipeline and by the increased number of staff in the agencies knowledgeable about the GEF objectives and policies and experienced in implementing GEF projects.

33. Programming proposals are based on three funding scenarios:

- (a) Scenario 1: a “no-growth” scenario with the same funding level as GEF-3 (representing a net decrease due to cumulative inflation during the GEF-3 period);
- (b) Scenario 2: a ten percent increase (representing zero real-growth due to cumulative inflation during the GEF-3 period); and
- (c) Scenario 3: a twenty-five percent nominal increase.

For each of the three funding scenarios, a set of GEF commitments is proposed under each focal area to act as reference levels for detailed programming.

34. Each focal area presents information on strategic objectives and outputs. Indicative allocations of resources to be programmed under the strategic objectives are provided, although these may need to be revised in the annual business plan as the pipeline for GEF-4 matures (see annexes 1-7).

35. The proposed allocation to focal areas under each of the three scenarios is set forth in the table below. In proposing these scenarios, the GEF Secretariat and the Implementing Agencies tried to balance the following criteria in allocating resources to each focal area under the various scenarios:

- (a) the need to maintain stability in the funding of existing focal areas,
- (b) the expanded mandate of the GEF and countries expectations of increased resources being available to the new focal areas of Land Degradation and POPs, to provide for evolution and growth in these focal areas, and
- (c) the gap that exists between expected demand and availability of resources.

36. The application of these criteria results in the proposed allocations, as follows:

- (a) under Scenario 1, allocations are made in accordance with allocations under GEF-3 resulting in no growth in any focal area;
- (b) under Scenario 2, additional funds are mostly allocated to the new focal areas of POPs and land degradation. During GEF-3, financing in these two focal areas has been primarily for enabling activities, assessing needs and basic capacity building which has led to increased demand for project resources to address the priority needs of countries. Pipeline demand in these two focal areas is increasing steadily. It is expected that by the end of GEF-3 these two focal areas will each have a pipeline of about \$130 million, representing significant work program pressures early in GEF-4; and
- (c) under Scenario 3, substantial increases are made across the board. This latter scenario includes a sizable additional allocation to international waters, which has used its resources to date for enabling-type activities for countries collaborating on their specific transboundary basin or marine ecosystems. These countries are now also ready to move to on-the-ground action to address agreed transboundary concerns which would require increased resources from the GEF. It is only under this scenario that substantially increased resources will be available for the biodiversity and climate change focal areas. In the biodiversity area, Parties to the CBD have adopted goals, targets and indicators related to the achievement of the 2010 targets, and GEF resources will be essential to helping developing countries to contribute to meeting the targets, including those aspects relevant to other biodiversity conventions, such as the Ramsar Convention and the World Heritage Convention. Additionally, the CBD's expanding work program in biosafety and access and benefit sharing is expected to result in increased demand for resources under the biodiversity focal area. Expectations about GEF's contribution to promoting enhanced action on climate change, including the Plan of Action on Climate Change, Clean Energy and Sustainable Development of the Gleneagles G-8 Summit, is expected to lead to increased additional demand both for mitigation and adaptation in the climate change focal area.

Proposed Allocation to Focal Areas for Three Scenarios

	GEF-4: Scenario 1 3.0 billion	GEF-4: Scenario 2 (10%) 3.3 billion	GEF-4: Scenario 3 (25%) 3.75 billion
Biological diversity	906	935	1,065
Climate change	906	935	1,065
International waters	408	435	545
Land degradation	308	410	444
Ozone layer depletion	50	50	50
Persistent organic pollutants	308	410	444
Corporate Programs	14	15	17
Corporate budget	100	110	120

37. Detailed programming proposals for each of the focal areas are presented in Annexes 1 through 7. As OPS3 has recommended, these programming proposals and their underlying strategies reflect a concerted effort to improve the GEF’s implementation of core principles including incremental cost, sustainability, replicability and catalytic impact, cost effectiveness and mainstreaming.

38. The total allocations for Corporate programs range from \$218 million in Scenario 1 to \$283 million in Scenario 3. The lower numbers in the table above reflect a Corporate Programs allocation for only “core” corporate programs (Support to National Focal Points and Council Members, and Multi-stakeholder Participatory Dialogues.) Other Corporate Programs, including the Small Grants Program, are now funded from the agreed RAF exclusions in the case of biodiversity and climate change, and from a share of the allocations (a “tax”) to the other focal areas.

Incremental Costs

39. GEF’s funding of the incremental costs of generating global environmental benefits is at the operational core of the GEF mission. Despite significant intellectual effort over the years, the application of the incremental cost principle continues to present problems: in some focal areas more than others, but in many projects in all focal areas. Project proponents are often uncertain about appropriate methodologies, and across focal areas, methodologies differ considerably. OPS3, like other studies in recent years, points to the need for pragmatism and simplification. Currently, the incremental cost issue is an element of GEF OME’s Council approved work plan. Each of the focal areas will attempt to be clearer in its treatment of incremental costs but for the GEF as a whole to respond to concerns, it will be important for the Council to consider the issue once again, perhaps when the OME study is complete, and to

agree, as appropriate, on pragmatic means to reflect the incremental cost principle in GEF operations.

Sustainability

40. Projects and programs are only truly successful if the benefits they generate continue beyond the point at which GEF assistance ends. For this to occur capacity has to remain in place and sustainable non-GEF financing mechanisms have to be created. In the focal area strategies set out below, these sustainability features are given added emphasis. Planning for sustainability should begin in project design, and as the project develops, sustainability plans with monitorable indicators should be firmly in place and assessed as part of the mid-term project review. A better understanding of the issues that determine sustainability can be derived from an evaluation of the longer term impacts of projects, a function which should be a regular feature of the GEF monitoring and evaluation program.

Replicability and Catalytic Effects

41. Relative to the scope of the global environmental problems on which the GEF focuses, its annual project commitments are small. The impact of the GEF in most focal areas, therefore, depends on its ability to support projects which others can and will replicate. For GEF to succeed in this catalytic role, it must pay attention to the nature and design of the projects it supports and, by means of improved knowledge management and lesson sharing, put more emphasis on replicability. The focal area strategies attempt to do so.

Cost-effectiveness

42. One of the core principles in the operational strategy of the GEF is cost-effectiveness of GEF operations. The elements outlined above— incremental cost, sustainability, replicability and catalytic effect – are ingredients in the drive to achieve global environmental benefits at the least possible cost. This approach is embodied in the strategic, programmatic and project-level activities of the GEF and its partners.

Mainstreaming

43. Over the last decade, the Implementing Agencies have progressively integrated global environmental concerns and GEF operations into country assistance strategies and country planning frameworks. This process has enabled GEF operations to have significant influence on policies and institutions in countries as related to environmental management. Emphasizing integration during GEF-4 should help deepen this process further.

44. As the focal area strategies and programming continue to evolve, these principles will, remain at their core.

SECTION III. INSTITUTIONAL AND ORGANIZATIONAL MANAGEMENT ISSUES

45. As OPS3 notes, the GEF is a network organization. The Council and the Assembly, the Secretariat, the three Implementing Agencies, the seven Executing Agencies, STAP and the Trustee all contribute in a coordinated effort to produce the GEF “products.”

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

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

48. OPS3 further highlights that the GEF now has a sizable portfolio but remains an institution with a project approval culture. The GEF needs to put more emphasis on portfolio strategy, analysis of portfolio gaps, portfolio management and quality results. OPS3 recommends clearer strategic directions within focal areas and the importance of looking for synergies across them. It recommends better indicators of strategic success at the project and portfolio level, and improved project cycle management built on better processes and enhanced information and management systems. OPS3 also recommends that GEF communication and outreach be significantly strengthened.

49. Responding to, and building upon, the recommendations of OPS3, the experience of the GEF, and recommendations emerging from the GEF replenishment process, this document outlines institutional and management challenges that the GEF should address during the fourth replenishment period.

Management within the GEF Partnership

A. The Secretariat and Implementing Agencies

50. There are a number of management challenges inherent in a network organization. The challenges of governing by network have been identified as:

- (a) aligning goals,
- (b) providing oversight,
- (c) promoting open and full communication,
- (d) coordinating multiple partners,
- (e) managing the tension between competition and collaboration, and

- (f) overcoming data deficits and capacity shortages.³

51. When the GEF was established the Secretariat's role was considerably "lighter" than it is today. The Secretariat's role has expanded, but not yet fully, to that recommended by OPS3 which envisages the Secretariat as the "network administrative office", playing a more strategic and coherent role in administering and coordinating GEF family activities so as to meet the network challenges identified above. To effectively manage the GEF, it is essential that the Secretariat and Implementing Agencies work collaboratively to address joint corporate activities, such as establishing good communications channels, helping coordinate activities among partners, sharing knowledge, aligning values and incentives, building trust and overcoming institutional differences. To achieve these objectives the Secretariat and Implementing Agencies propose to improve the way they do business in the following ways:

- (a) implementation of the Resource Allocation Framework,
- (b) focal area strategy development,
- (c) development of indicators,
- (d) role of Secretariat and Implementing Agencies in project approval and portfolio monitoring,
- (e) streamlining of project cycle,
- (f) pipeline management,
- (g) information management,
- (h) knowledge management,
- (i) communications, and
- (j) providing support and tools to assist countries to build country capacity.

Implementation of the Resource Allocation Framework

52. The Council has been addressing the development of a GEF resource allocation framework at its meetings over the last two years. Comments and perspectives emerging from these meetings have guided the development of the allocation framework.

53. Implementation of the RAF will promote transparency in resource allocation. Many countries will be aware of their indicative allocations for a replenishment period, and will have the opportunity to better consider the systematic integration of GEF funding into their overall development framework. It will be important for the GEF Implementing and Executing Agencies to work together and with the country to ensure that scarce GEF funds are allocated to

³ OPS3

sustainable development priorities with global benefits. This will require changes to the GEF's current operational procedures to ensure more collective business planning.

54. As implementation of the RAF unfolds over the GEF-4 period, the GEF will bring to the Council's attention emerging implementation and management lessons so as to allow for the evolution of the RAF based on its application experience.

Focal Area Strategy Development

55. Over the last decade the GEF has established 15 operational programs in six focal areas and many more strategic priorities. While the operational programs have established the approach to be followed in each focal area, OPS3 notes that the strategic direction and coherence of each focal area program should be clarified and improved. The Secretariat and the Implementing Agencies, through the focal area task forces, are preparing up-dated focal area strategies as part of the programming exercise for the GEF-4 replenishment period. On the basis of these strategies, the GEF will undertake to assess options for simplifying its operational programs and strategic priorities.

Development of indicators

56. Associated with the elaboration of focal area strategies is the challenge of developing "meaningful and user-friendly indicators for results at the output, outcome and impact levels that can be aggregated to report on the results of the focal area programs overall."⁴ For the last few years, the Secretariat, the Implementing Agencies and the Monitoring and Evaluation Office (OME) have collaborated in developing appropriate program-level indicators. The challenge has been achieving a balance between quantitative indicators, which often measure outcomes that are not necessarily an accurate reflection of fundamental goals, and appropriate qualitative and descriptive indicators that attempt to capture the fundamental but often intangible objectives associated with sustainability, catalytic effects, and capacity building. It is proposed that collaborative efforts to meet this challenge be assigned a priority in the work program of the Secretariat, the Agencies and OME in GEF-4.

Role of Secretariat and Implementing Agencies in project approval and portfolio monitoring

57. Currently, before a proposal project enters the work program, the Secretariat reviews the technical details of each proposal, even though substantial technical work and negotiations have been undertaken by the recipient country and the Implementing or Executing Agency to prepare the project proposal. This role does not reflect the comparative advantage of the Secretariat, and it duplicates the work undertaken by the Implementing or Executing Agencies. OPS3 notes that "project reviews over the course of the design phase by the GEF, the Implementing Agencies and the Council all focused on the same technical level and led to frequent, sometimes contradictory, requests for design changes."

58. During GEF-4, in coordination with the Implementing and Executing Agencies, as part of the effort to streamline the project cycle, the GEF Secretariat will explore a modified role that

⁴ Third Overall Performance Study of the GEF.

emphasizes the strategic portfolio review responsibilities of the GEF Secretariat while making the Implementing and Executing Agencies wholly responsible for technical quality. Clearly articulated strategies in the different focal areas will contribute to this effort by providing a basis for the Secretariat's portfolio review and clear direction for dialogue between the agencies and countries that may lead to quality projects that are consistent with strategic goals.

59. The Office of Monitoring and Evaluation has proposed to the Council that responsibility for overall portfolio monitoring rest with the Secretariat. Assumption of this responsibility by the Secretariat is consistent with its proposed role of providing strategic oversight for portfolio performance. The Implementing and the Executing Agencies will continue to be responsible for supervising and monitoring individual projects in their respective portfolios. In collaboration with these agencies, the Secretariat will take the lead in monitoring of portfolio performance and in assessing how strategic recommendations of the Council are achieved. This will include managing the Annual Portfolio Performance Review. The results from this review will: (i) provide feedback for strategic reviews during the project approval process; (ii) provide guidance for decisions to be taken regarding performance issues in the portfolio; and (iii) generate lessons and feedback for the GEF knowledge management system.

Streamlining of the project cycle

60. Streamlining the GEF project cycle will be a priority in GEF-4. A more efficient project cycle will better serve the recipient countries and project beneficiaries and should act as an incentive for mainstreaming GEF operations with the regular programs of the agencies. OME is now proceeding with a study of this issue, and the recommendations of the study should assist in identifying concrete measures to improve the project cycle. Other measures described below (a more efficient project approval process, an improved management information system, better delineation of Secretariat and agency responsibilities) will contribute to a more effective project cycle.

Pipeline Management

61. During FY05, the Secretariat, in collaboration with the Implementing Agencies, initiated a process of "project cycle disciplining" in a bid to reduce processing times and to free up resources allocated to concepts and projects not moving forward. Continuous disciplining of the pipeline will be a regular feature of project cycle management and portfolio review in GEF-4, with progressively higher standards of scrutiny.

Information Management

62. OPS3 notes the need for development and/or strengthening of information management processes, including knowledge management and management information systems in the GEF, with the goal of achieving transparency of information at all levels of the GEF partnership network. An accessible and open information system is essential to aligning goals, providing

oversight, coordinating multiple partners, managing the tension between competition and collaboration, and building trust among all shareholders in the system. Prudent management of the GEF project cycle and pipeline, and balancing of demand against availability of GEF resources, requires a reliable and analytically sound management information system.

63. The Secretariat, in consultation with the agencies, is currently undertaking a needs assessment to identify the broad contours and macro-design specifications of a management information system. Based on the needs assessment, a request for establishing a management information and tracking system will be made to the Council before the end of GEF-3. If the Council supports the proposal, a system could be in place early in GEF-4.

Knowledge Management

64. Over the last 10 years, the GEF and its various partners have accumulated significant experience in dealing with global environmental issues. OPS3 notes that without a more systematic process for capturing lessons learned over time, there is a risk that lessons learned, capacity, and institutional knowledge among individuals will be lost.

65. Some of the Implementing Agencies have established, or are in the process of establishing, knowledge management systems to collect, analyze and disseminate their accumulated knowledge to various GEF stakeholders. During GEF-4, a cost effective, GEF-wide knowledge management system will be established, building on the systems in place in the Implementing Agencies, in close coordination with the Office of Monitoring and Evaluation, and in collaboration with other relevant partners.

Communications

66. Even after a decade of operations in over 140 countries, the GEF is relatively unknown around the world. The Secretariat and the Implementing Agencies can design and implement a common corporate communications strategy that will seek to redress this issue. Such a communications strategy will focus on both donor and recipient countries and be an essential part of all aspects of GEF business, including country coordination and corporate programs, convention relations, project implementation, and contributions to relevant international conferences.

67. A key element of such a communications strategy will be the dissemination of experiences emerging from GEF operations in different focal areas and the contribution of the GEF network, including countries, in generating global environmental benefits. The knowledge management system will be a critical source of information in implementing the communications strategy.

68. Development of such a strategy is important, but probably less urgent than other management initiatives described above. It is also likely to require increased resources. Council's views on the priority to be attached to the development of such a strategy are critical.

Promoting Capacity Building and Dialogue at the Country Level

69. The success of GEF's efforts to promote global environmental benefits and the success of countries' development aspirations are significantly determined by the capacity of the recipient country's people, institutions and systems. Historically, the GEF has channeled its capacity development efforts through the enabling activities for the global conventions and capacity building components embedded in investment projects. With the new strategy approved by Council, capacity building is now being addressed in a more comprehensive and structured way. The *Strategic Approach to Enhance Capacity Building* will not only promote the coordination of enabling activities and capacity building, but help to lay the foundation for the creation of synergies between environmental and national sustainable development activities. This is essential if the GEF is to deepen and enhance capacity building interventions to strengthen individuals, institutions and systems.

70. Capacity building components within larger projects will continue to be the main source of financing for capacity building so as to ensure capacity building is linked to on-the-ground achievements. In addition, capacity building tools such as the National Capacity Self Assessments (NCSAs) will contribute to the development of cross focal area capacities. Capacity needs identified as a result of the NCSAs will form the basis for GEF's cross-cutting capacity building projects. Financing will be provided to countries, with an emphasis on LDCs and SIDS, to support a holistic approach to management of global environmental issues that will catalyze cross-sectoral collaboration and multi-level interventions to integrate GEF activities across the focal areas.

71. The GEF, building upon the country dialogue of its Implementing Agencies, will promote increased interaction between key government agencies and stakeholders and the development of national coordination mechanisms to contribute to more effective integration and mainstreaming. Multi-sectoral dialogues and planning will seek to enhance linkages across focal areas, thus reinforcing integration and mainstreaming, while efforts will be supported to improve the capacity of civil society to contribute to global environmental management at the national level.

B. Executing Agencies

72. The GEF was founded as a partnership among three Implementing Agencies. One of the achievements of GEF-3 was providing direct access to GEF resources to seven Executing Agencies within areas related to their comparative advantages. The Executing Agencies were brought in to design and implement GEF projects because of their regional presence and potential to increase opportunities for co-financing and mainstreaming, and because of their knowledge and experience in the new focal areas.

73. OPS3 recognizes the tension in a network organization when partners operate as competitors as opposed to collaborators and recommends that the GEF Secretariat assume a "leadership role in enunciating the positioning of collaboration and competition in the system." OPS3 further notes that in a network organization such as the GEF good communication channels, and open and on-going discussion about common goals and objectives are essential for success. Without active promotion of common values, transparent processes, and generous information sharing, collaboration can transform itself into unproductive competition. The

Secretariat and agencies will ensure an on-going dialogue amongst themselves to enhance trust and optimize collaboration in the achievement of the strategic goals of the GEF, building upon principles of clear roles and comparative advantage, compatibility and partnership. This will be of particular importance as the GEF moves forward in operationalizing the RAF in GEF-4.

C. Office of Monitoring and Evaluation

74. Monitoring and Evaluation was established as a function in the GEF Secretariat after the restructuring of 1994. A framework for monitoring and evaluation was adopted in May 1997. In 2003 the GEF Monitoring and Evaluation Unit was made independent and now reports directly to the GEF Council. In November 2004, Council requested that the new office prepare a new policy for monitoring and evaluation to be discussed at the November 2005 Council meeting. This new M&E policy will conform to the highest internationally accepted principles and standards such as those followed by the United Nations, the multilateral development banks, and OECD-DAC. The policy and related guidelines will be periodically reviewed and updated in dialogue with all concerned GEF entities, to make them dynamic and to maintain relevance.

75. The policy will propose that the office fulfills three main functions with regards to M&E in the GEF:

- (a) evaluative function (to independently evaluate the effectiveness of GEF programs and resource allocations on project, programs, country and portfolio and institutional levels);
- (b) normative function (setting minimum M&E standards within the GEF family); and
- (c) oversight function (to provide quality control in full cooperation with relevant units of the Implementing and Executing Agencies, to help ensure that their M&E practices are in accordance with minimum GEF standards).

76. In fulfilling these functions, the office will pursue three goals: improved decision-making, accountability and feedback.

77. Council approved in June 2005 the underlying concepts of the office's four year work program (FY06-09) and the FY06 work program. OPS3 made two main recommendations to the Office of M&E: (1) to foster M&E at all levels through the institutionalization of the consultative process to create a community of practice of M&E in the GEF and (2) to begin monitoring the health and the effectiveness of the GEF partnership network itself, paying particular attention to the ripple effects of changes in GEF procedures and rules, like the employment of a RAF. The four-year work program and the draft M&E Policy are responding to these recommendations. The consultative process with other GEF entities is a continuing process, with full participation in the development of the draft GEF M&E policy. One tangible outcome of this process is the joint evaluation of the GEF activities and modalities, which will start up in the second half of 2005. Furthermore, all approach papers and TORs for evaluations conducted by the office will be shared with relevant GEF partners for discussions. The Office will focus on oversight and validation of M&E systems in the GEF network rather than

monitoring projects and portfolios. The office will assist the GEF Secretariat and the agencies with the transfer of these monitoring responsibilities. Furthermore, the office will support establishment of appropriate systems of performance indicators and tracking tools to collect and analyze data. OPS3 also suggested that the office of M&E should ensure that its evaluations are easily "digestible," actionable and relevant to stakeholders. The draft M&E Policy will propose how the office may contribute to the development of a comprehensive knowledge management strategy for the GEF.

D. Scientific and Technical Advisory Panel

78. The GEF Scientific and Technical Advisory Panel (STAP) provides strategic input on scientific and technical issues related to GEF strategies and policies. STAP is also responsible for the maintenance and operation of the STAP roster of experts who may be requested to undertake technical reviews of projects. OPS3 notes the perception of GEF stakeholders that STAP is not as responsive as it needs to be. To address this concern, the Chair of STAP organized a retreat in June 2005 with STAP members and Secretariat and Implementing Agency participation to explore options to improve STAP performance. At the November 2005 Council, the STAP Chair intends to discuss her proposals to improve STAP's effectiveness with the Council.

E. Council

79. The work load of the Council during GEF-3 has increased to such an extent that it regularly is unable to complete its agenda at Council meetings. This is partly due to the large amount of time that has been dedicated to the development of a resource allocation framework. Nevertheless, it is clear that the number of issues requiring Council's attention has increased as the institution has evolved, as new procedures are put in place, and as new focal areas and issues are added to the GEF priorities. In addition, the Office of Monitoring and Evaluation is producing more findings and evaluations which the Council needs to consider fully. As well, as the GEF Secretariat shifts its role to more portfolio analysis, the Council is likely to be faced with more issues of a strategic nature. The Council has made it clear that it considers it crucial that the Council remain engaged in project review, but in light of an expanding agenda, and some realignment of Secretariat responsibilities, the Council may want to devote some time to the issues of the length of Council meetings, efficiencies to be made in the conduct of meetings, and the allocation of time within those meetings.

F. Resourcing the network responsibilities and outreach

80. OPS3 notes that the administration and coordination of network activities in a comprehensive and strategic way is critical to the success of the network. It is proposed that during GEF-4 the initiatives described in this paper should be the focus of enhancements to the operation of the network. Some of these activities will require more resources for additional staff and additional budgetary support. Before making requests for additional resources, the Secretariat and Implementing and Executing Agencies will seek opportunities to use the current level of corporate budget as efficiently and effectively as possible, by avoiding duplication of activities, ensuring that the appropriate entity is working within its comparative advantage, and

building upon synergies and collaborative actions. Nevertheless, some of the functions described above will require targeted increases in the corporate budget if a higher-level of operations is to be achieved. Some increases may be special requests for a limited time period (i.e., special initiatives), while a few could result in increases to the base-level budget. All such requests will be brought to the Council for review and approval.

Relations between the GEF and its members

The GEF and its members

81. As noted in paragraphs 57-59, the GEF recognizes the need for a more robust, GEF-corporate communications strategy to inform both donor and recipient countries about the GEF, its objectives, procedures, results, impacts and lessons learned. Such a strategy should aim at providing better information to the donor countries to inform their taxpayers and decision makers about the benefits to be derived from financing of the GEF as well as more informative communications to recipient countries on how best to work with the GEF.

82. Country ownership of GEF activities will be further enhanced by organizing multi-stakeholder consultations and workshops to increase ownership by diverse stakeholders at the national level.

83. Support to national focal points in recipient countries should strengthen their capacity to shape the project portfolio, ensuring that national priorities are addressed through GEF projects and the results are mainstreamed into poverty reduction plans and national sustainable development strategies. Under the RAF, it will be necessary for the GEF Implementing and Executing Agencies to work collaboratively with the national focal points to ensure that this is achieved. During GEF-4 it will be necessary to develop incentives, modalities and performance measures for the Implementing and Executing Agencies to support countries in their efforts to better integrate global environmental concerns in national policy-making, coordination and sector planning through the existing assistance programs of the agencies.

84. A robust communication strategy will also contribute to better two-way communication between the GEF and NGOs, scientists, private sector, Government agencies and the media.

B. Conventions

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

86. The MOUs with these conventions clearly provide for consultation on matters of policy and guidance. Such consultations have proven useful in building trust between the secretariats

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

C. Private Sector

87. OPS3 notes that the absence of a coherent strategy to engage in the private sector has resulted in missed opportunities and recommends that the GEF: "launch a private sector initiative to look for good models of cooperation with the private sector and to pilot projects: continue working to develop an appropriate strategy and mechanism for private sector engagement; and work directly with private sector to identify appropriate means and modalities to more effectively involve the private sector." While the GEF continues to engage with the private sector, there is a common understanding that there needs to be a concerted approach to more fully involve the private sector in global environment management.

88. The Secretariat, in collaboration with the Implementing and Executing Agencies, including the IFC, is currently preparing a more directed strategy. In preparing this strategy, the Secretariat is consulting with a variety of private sector actors around the world. The first phase of the strategy is targeted for presentation at the November 2005 Council meeting. Efforts to implement the strategy will begin in GEF-4.

89. Past studies and reviews have repeatedly pointed to the GEF project cycle as a barrier to enhancing private sector involvement. Finding more streamlined operational modalities as described in this document should provide a good foundation on which to implement a private sector strategy.

D. NGOs

90. The GEF-NGO network continues to hold its consultations biannually and play a role at the policy level by participating and making interventions in the GEF Council. However, OPS3 notes that NGOs have difficulty understanding the GEF and Implementing Agency requirements, and lack access to information (e.g., related to proposal requirements, reasons for project rejections, procurement/administrative requirements). In addition, OPS3 notes that there is lack of participation in GEF project preparation and execution on the part of NGOs.

91. In GEF-4, the GEF will identify ways to enhance outreach to NGOs and also to reinvigorate the GEF- NGO network. The focus will be on providing better information channels for dissemination of information and on using knowledge management tools especially designed to improve NGOs knowledge of the GEF and its procedures. With improved information, country offices of the agencies will be better able to respond fully and accurately to requests for information and guidance from NGOs at the country level.

92. In addition, capacity building activities will be developed to partner/twin international NGOs with smaller local ones. This twinning has the advantage of forging relationships between NGOs with GEF field experiences with local NGOs lacking capacity and/or experience to effectively work with the GEF.

E. Cooperating and co-financing partners

93. In addition to the existing Implementing Agencies and Executing Agencies, GEF relies on other partners to achieve results, including bilateral agencies and recipient Governments. The bilateral agencies, for example, have contributed \$407.77 million of co-financing to the GEF contribution of \$1,833.6 million committed to date in GEF-3. In addition, participation of bilateral agencies that participate often in GEF projects has made a significant contribution to the transfer of technical assistance based on their knowledge of targeted recipient countries. Furthermore, mainstreaming of environment into sustainable development planning received a critical boost by involving bilateral agencies in countries where they manage significant aid programs.

94. Currently the bilateral agencies get indirect access to GEF funding by establishing partnerships with Implementing Agencies. This mode of access is not always perceived as being the most effective, since it increases transaction costs for both parties and may delay projects. Earlier discussions on increasing the number of executing agencies with expanded opportunities yielded a decision at the beginning of GEF-3 to include the current ten Executing Agencies operating under the expanded opportunities.

95. In a review of the experience of the Executing Agencies⁵, it was recommended to reduce the complexities of the present IA/EA arrangement and it was concluded that there is no compelling need to add any more agencies. Nevertheless, some bilateral organizations continue to express an interest in being provided the opportunity to have direct access to GEF resources. Council may wish to consider approving a policy and clear criteria for according direct access to GEF resources to additional Executing Agencies. In setting criteria for ensuring qualified access to the GEF, the Council will need to consider how to best maintain efficiency and collaboration within the GEF network.

⁵ “Experience with Executing Agencies under Expanded Opportunities,” October 24, 2003 (GEF/C.22/12)

ANNEX 1. BIODIVERSITY

96. Biodiversity is under heavy threat and its loss is considered one of the most critical current challenges to humankind. Precise estimates of the magnitude of this loss are unavailable, mostly because of the lack of reliable baseline information at all levels. For example, scientists estimate that only between 1% and 10% of all species that probably exist on the planet have been described. Notwithstanding this lack of precise baseline data, current trends in biodiversity loss are a major cause for alarm.

97. At the species level, the Red List of Threatened Species keeps track of species trends. Currently, over 15,000 species are threatened with extinction and for most major groups, the number of threatened species range from 12% to 52% of all species known within each group. The most alarming fact is that current rates of extinction exceed extinction rates in the fossil record by a factor of 50 to 500 times (or even 100-1,000 times according to the MEA).⁶

98. More importantly, however, biodiversity loss at the ecosystem level threatens the life-support systems that maintain societies and economies. The Millennium Ecosystem Assessment recently reported that 60 % (15 out of 24) ecosystem services are being degraded or used unsustainably. The loss of these ecosystems and their functions has serious consequences for life on the planet. Ecosystem loss and degradation further accelerates the loss of species, reduces current and future services to societies, and disproportionately impacts on poor people.

CBD Convention Guidance

99. As the financial mechanism of the CBD, the GEF biodiversity program follows the guidance of the CBD in setting its programming policies and priorities. The guidance to date is extensive but has emphasized in-situ conservation along the six main thematic work programs: marine and coastal; inland waters, forests, mountain, agricultural, and dry and sub-humid lands. A seventh thematic work program is under preparation that focuses on island biodiversity. In addition to these themes, the guidance has included among the priorities to be financed activities related to: biosafety; access to genetic resources and benefit sharing; traditional knowledge, innovation and practices; sustainable use; biodiversity and tourism; indicators; taxonomy; public education, communication and awareness; incentives; and invasive alien species.

100. In addition to the guidance of the Convention, the GEF has taken note of the CBD's Strategic Plan for the Convention which commits parties to a more effective and coherent implementation of the Convention. The Plan seeks to achieve by 2010 a significant reduction of the current rate of biodiversity loss at the global, regional, and national levels as a contribution to poverty alleviation. It contains four strategic goals and objectives.⁷ COP VII developed a

⁶ 2004 IUCN Red List of Threatened Species: A Global Species Assessment. IUCN Species Survival Commission. 2004, Gland.

⁷ The agreed four goals and objectives addressed in the Annex of Decision VI/26 include: 1: the Convention is fulfilling its leadership role in international biodiversity issues; 2. Parties have improved financial, human, scientific, technical and technological capacity to implement the Convention; 3. national biodiversity strategies and action plans (NBSAPs) and the integration of biodiversity concerns into relevant sectors serve as an effective framework for the implementation of the objectives of the Convention; and 4.

framework to enhance the evaluation of achievement and progress in the implementation of the Plan and, in particular, its mission to achieve a significant reduction in the current rate of biodiversity loss at global, regional and national levels. It also identified provisional indicators for assessing progress towards the 2010 biodiversity target.

Strategic Priorities in GEF-3

101. In response to the Second Program Study of the GEF Biodiversity Program, the GEF developed strategic priorities to further sharpen the strategic focus of the operational programs. The strategic priorities for GEF-3 reflect the rich implementation experience emerging from a portfolio that is a decade old, as well as studies and evaluations undertaken of the biodiversity program. The strategic priorities internalize the guidance from the Convention and the most pertinent recommendations that have emerged from various evaluation exercises and provide a framework for the entire portfolio that, *inter alia*:

- (a) places greater emphasis on sustainability of results and the potential for replication;
- (b) moves beyond the current projects-based emphasis where appropriate, to more strategic approaches that systematically target country enabling environments to address biodiversity conservation over the long term;
- (c) inserts biodiversity within other sectors through mainstreaming it in the wider sustainable development context and economic sectors;
- (d) engages with the private sector more effectively;
- (e) increases support for CBD objectives on sustainable use and access and benefits sharing;
- (f) addresses stakeholder participation more systematically;
- (g) continues to enhance integration of GEF activities in the development agenda within the context of country-driven Poverty Reduction Strategy Papers (PRSPs), Country Assistance Strategies (CAS) and other such tools; and
- (h) improves dissemination of tools, lessons learned and best practices among broader audiences.

102. Strategic priorities during GEF-3 were:

- (a) catalyzing sustainability of protected area systems;
- (b) mainstreaming biodiversity in production landscapes and sectors;

There is a better understanding of the importance of biodiversity and of the Convention, and this has led to broader engagement across society in implementation.

- (c) capacity building for the implementation of the Cartagena Protocol on Biosafety; and
- (d) generation and dissemination of best practices for addressing current and emerging biodiversity issues.

103. During GEF-3, most resources (82%) were allocated to addressing the first and second priorities above, reflecting a strong emphasis of the program on in-situ conservation and sustainable use.

Proposed Strategic Objectives in GEF-4

104. The rationale that underpinned the development of the strategic priorities for GEF-3 remains largely unchanged and thus, the proposed approach in GEF-4 emphasizes continuity and is consistent with the recommendations from the Third Biodiversity Program Study and OPS3. Experience gained during GEF-3 has allowed the GEF to sharpen the focus of these initial objectives.

105. In order for the GEF biodiversity portfolio to make the most effective contribution to the objectives of the CBD, the strategic emphasis of the portfolio will be directed towards conserving and sustainably using biodiversity within protected areas and mainstreaming biodiversity in production landscapes and sectors. These two strategic objectives provide a flexible window to implement the guidance of the Convention and reflect current thinking in the conservation community: the imperative to secure the global protected area estate, while at the same time integrating biodiversity considerations into production sectors outside protected areas, thus integrating it into broader socio-economic processes. These are also the main contributors towards the CBD's 2010 targets.

106. When taken together, these two principal strategic objectives provide the necessary tools to ensure in-situ biodiversity conservation and sustainable use in a geographically continuous way, and facilitate the implementation of the ecosystem approach at national and regional levels.

107. The third strategic objective is consistent with the objective of the Cartagena Protocol on Biosafety. It contributes to ensuring an adequate capacity in the field of the safe transfer, handling and use of living modified organisms resulting from modern biotechnology that may have adverse effects on the conservation and sustainable use of biological diversity, taking also into account risks to human health, and specifically focusing on trans-boundary movements. Activities will focus on capacity building for implementation, in response to guidance to the GEF from the CBD, emerging from the Meeting of the Parties to the Cartagena Protocol.

108. Supporting these three strategic objectives, lessons learned from successes and failures in conservation and sustainable use of biodiversity will be identified, disseminated and incorporated into future project design and implementation through strategic objective four. A particular focus of strategic objective four will be to support capacity building efforts that assist with the implementation of the Action Plan on Capacity-building for Access and Benefit-sharing in support of the implementation of the Bonn Guidelines.

109. Proposed priorities for GEF-4 incorporate implementation experience to date and improved understanding of technical issues and respond to the most relevant aspects of the GEF Biodiversity Program Study 2004 and OPS-3. Monitoring of the portfolio to measure progress in achieving outcomes is substantially enhanced.

Biodiversity Enabling Activities

110. Funding for biodiversity enabling activities will continue to play an important role in assisting national government institutions to meet their immediate obligations under the CBD, notably national reporting and clearing house information functions. Enabling activities are also essential in assisting national executing agencies to integrate CBD obligations, strategies and work programs into the national planning process and facilitating mainstreaming of biodiversity. During GEF-4 support will continue to be provided for capacity assessments and stocktaking activities on access and benefit sharing consistent with COP Decision IV/13, paragraph 8. Twenty-five countries are currently assessing ABS capacity needs through add-on enabling activities, and the number of countries requesting assistance in this area is likely to increase in GEF-4.

Responding to the GEF Biodiversity Program Study 2004 and OPS3

111. Although the GEF Biodiversity Program Study and OPS3 did not evaluate completed projects that were approved under the strategic priorities for GEF-3, both studies provided recommendations that the GEF has incorporated in the refinement of the strategic objectives for GEF-4 as detailed in Table One Below.

Table 1. Responses in GEF-4 Strategy to Recommendations of the Third Biodiversity Program Study (BPS) 2004 and OPS3

Strategic Objective	Recommendations from Biodiversity Program Study 2004 and OPS3	Response in the GEF-4 Strategy
Strategic Objective 1: Catalyzing Sustainability of Protected Areas	Future investment in the protected areas portion of the portfolio should be accompanied by more intentional consideration of the full range of protected areas. By better distinguishing between the different categories of protection and their differing conservation objectives, support can be rationalized on this basis.	The portfolio-level tracking tool for strategic objective one will allow for monitoring investment per IUCN PA category for analysis at the end of GEF-3. In the context of this strategic objective, a sustainable system will by necessity have to include the entire range of IUCN protected areas in order to achieve a sustainable system, both biologically and socially. During GEF-4, investment per category will continue to be monitored.
Strategic Objective 1: Catalyzing Sustainability of Protected Areas	There is a need to more clearly define both the diagnostic and analytical capabilities of the Management Effectiveness Tracking Tool to inform further modifications and to enable it to better fulfill its functions for the GEF biodiversity program.	The Management Effectiveness Tracking Tool will continue to be used by GEF as part of the GEF portfolio-level tracking tool for Strategic Objective One. GEF will participate in an analysis of its utility with other agencies that are applying it after enough experience is gained with its application to clearly assess its diagnostic and analytical capabilities.
Strategic Objective 2: Mainstreaming Biodiversity in Production Landscapes and Sectors	Currently, the concept of mainstreaming biodiversity is defined and applied in different ways and in different contexts by different actors. This results in operational complications for the GEF Secretariat and the IAs. Given that mainstreaming is the second of the recently articulated strategic objectives, guidelines and clear definitions should be developed to clarify exactly what types of activities, processes, and interventions are covered under the mainstreaming concept in the GEF context.	The current formulation of the strategic objective includes clear guidelines. In addition, the tracking tool for the strategic objective has been simplified in an attempt to help define the nature of mainstreaming that is supported under this strategic objective. Indicators in the Tracking Tool reflect the targets and indicators of mainstreaming activities by the GEF.
Strategic Objective 4: Generation and Dissemination of Good Practices for Addressing Current and Emerging Biodiversity Issues	There is a need to establish an overall strategy and action plan for knowledge management in the GEF biodiversity program.	Knowledge management strategy is under development at GEF Secretariat. The project: “Strengthening Capacity to Generate, Disseminate and Adopt Good Practices in Biodiversity Conservation” that is currently in the design phase will facilitate knowledge sharing amongst project proponents and across the

Strategic Objective	Recommendations from Biodiversity Program Study 2004 and OPS3	Response in the GEF-4 Strategy
		biodiversity portfolio.
Strategic Objective 4: Generation, Dissemination and Uptake of Good Practices for Addressing Current and Emerging Biodiversity Issues	With regard to contributions in the field of sustainable use, there is a great opportunity to make a linkage between the operationalization of the Addis Ababa Principles and the Malawi Principles for ecosystem approach, particularly regarding the necessary legal frameworks and governance, spatial and temporal scales of management, land tenure and land-use planning, adaptive management of the resource under use, and potentially damaging impacts on ecosystems services. To improve chances of success, the operationalization of the Addis Ababa Principles should encourage partnerships between GEF and other actors, particularly the private sector, at all levels, from small-scale producers to intensified industrial production systems.	Identified as a priority theme under strategic objective four for GEF-4.
Monitoring Outcomes of the GEF Biodiversity Program	<p>The selection of appropriate and measurable indicators and links between project-level indicators of outcomes and impacts and their relationships to indicators of the implicit goal of the GEF biodiversity program (i.e. positive changes in the status of global biodiversity) must be more clearly established, and dedicated work on this topic should be undertaken.</p> <p>In consultation with the GEF biodiversity task force, the GEFM&E Unit should develop standards and guidelines for monitoring and evaluation at the project level that can be “rolled up” to the program level, thereby allowing true evaluation of the performance of the entire portfolio and its efficiency and effectiveness</p>	The development and use of portfolio level monitoring and tracking tools is an ongoing process in GEF-3. The proposed indicators for the outputs and outcomes of the biodiversity portfolio during GEF-4 reflect experience gained during the first two years of GEF-3 and respond to the recommendations from the BPS 2004/OPS3 to develop simple indicators that can be rolled up and linked to the 2010 targets of the CBD.

Strategic Objective	Recommendations from Biodiversity Program Study 2004 and OPS3	Response in the GEF-4 Strategy
	<p>in attaining its higher-level objectives.</p> <p>Despite its very significant financial and technical contribution towards expanding the world's PAs and PA networks and enhancing their management, the GEF has yet to conduct a study that looks at the additive or aggregate contribution of local, project, or site-level outcomes and impacts in PAs to the GEF's overall contribution to higher level, global biodiversity impacts.</p>	<p>As part of the yearly Project Implementation Review, the GEF will begin to use the results from the tracking tools to investigate these issues. In addition, options for conducting a broader study identified will be pursued.</p>

112. The following descriptions expand on the rationale and focus of the proposed strategic objectives during GEF-4.

Strategic objective 1: Catalyzing sustainability of protected area systems at national levels

113. Protected areas (PAs)⁸ remain the critical foundation of biodiversity conservation worldwide, and as such, they will continue to be supported as a major thrust of GEF-4. This objective encompasses the achievement of ecological, institutional, social, political and financial sustainability in the context of national-level PA systems.

114. The focus of this objective is to conserve biodiversity in PA systems through the expansion, consolidation, and rationalization of national PA systems over the long-term. This would include addressing PA system coverage gaps defined by ecological representativeness (coverage of ecosystems within a PA system), ecological and evolutionary processes or other criteria. GEF support to assessing and filling gaps in PA systems will concentrate on those sites that are of high biodiversity value and globally significant. Its operational focus will be flexible and be based on a thorough understanding of key strengths and weaknesses at the system and national institutional levels, and on how any given individual intervention contributes towards long-term sustainability within a PA systems context. The types of operational activities that the GEF will support include: (a) demonstration and implementation of innovative financial mechanisms, (b) capacity building for long-term sustainability, (c) catalyzing community – indigenous initiatives: and (d) removal of barriers to facilitate public – private partnerships.

Strategic objective 2: Mainstreaming biodiversity conservation within production landscapes and sectors

⁸ Protected areas are not limited to formal national parks and legal entities but will also include indigenous and private reserves whose objective is biodiversity conservation.

115. It is widely accepted that the objectives of the CBD⁹ can only be achieved if biodiversity is maintained both within and outside protected areas. The functions and features of ecosystems that are used as production landscapes and seascapes must be sustained to ensure that biodiversity conservation and sustainable use persists over the long term. Thus, the purpose of this strategic objective is to internalize the goals of biodiversity conservation and its sustainable use into production systems, supply chains, markets, sectors, development models, policies and programs.

116. Mainstreaming occurs at the interaction between biodiversity and economic activity, and therefore the points of entry are numerous and distinct. Priority sectors for intervention have been identified according to their degree of impact upon globally-important biomes as indicated in the Millennium Ecosystem Assessment¹⁰. Agriculture, forestry, fisheries, tourism, infrastructure and transport, oil, mining and gas, and banking and insurance were identified as the main (but not exclusive) sectors to be addressed.

117. Four distinct kinds of mainstreaming interventions are indicative of the types of activities that the GEF will support: a) Spatial Mainstreaming seeks to ensure that biodiversity considerations are effectively internalized into the planning and management processes of a particular spatial area. It differs from a protected areas approach in that the primary purpose of the area is production, rather than protection, and the challenge is to maximize biodiversity benefits without compromising the business “bottom line”; b) Sectoral Mainstreaming can include improvement of production practices through demonstration and promotion efforts; strengthening capacity at the systemic level through policies (including incorporating management considerations into spatial and sector planning), legislation and awareness; c) Institutional Mainstreaming attempts to ensure that biodiversity considerations are effectively internalized into the operations of a particular institution, either public or private, and the institutions associated with it; and d) in Market Mainstreaming the approach of threat removal is balanced by the need to also pursue new opportunities to proactively influence production sectors and systems through the creation of new markets. This typology reflects experience gained during GEF-3 and advice provided by STAP on mainstreaming biodiversity. While distinct, these activities are not mutually exclusive within the same intervention.

118. In GEF-3, numerous projects in production landscapes, particularly agricultural landscapes, have specific benefit-sharing initiatives and access and benefit sharing components as part of the project intervention strategy. In GEF-4, this type of nested capacity building in access and benefit sharing will continue to receive support and opportunities to engage public and private sector actors and local and indigenous communities in these activities will be pursued as appropriate.

Strategic objective 3: Capacity building for the implementation of the Cartagena Protocol on Biosafety

⁹ Article 6 (b). General Measures for Conservation and Sustainable Use. Each Contracting Party shall, in accordance with its particular conditions and capabilities: Integrate, as far as possible and as appropriate, the conservation and sustainable use of biological diversity into relevant sectoral or cross-sectoral plans, programs and policies.

¹⁰ Millennium Ecosystem Assessment, Synthesis, Figure 13.

119. Adequate capacity and information in the field of the safe transfer, handling and use of living modified organisms resulting from modern biotechnology that may have adverse effects on the conservation and sustainable use of biological diversity, taking also into account risks to human health, and specifically focusing on transboundary movements, constitutes a high priority for recipient countries. This objective will respond to the guidance from the CBD and the Cartagena Protocol COP/MoP. In GEF-3, the focus has been on helping countries develop national biosafety frameworks and during GEF-4 this will continue with an increasing focus on capacity building to assist their implementation.

120. This strategic objective focuses on developing systemic and institutional capacity for biosafety including training in risk assessment and management of living modified organisms with the participation of relevant government sectors such as agriculture, fisheries, forestry, industry, environment, education, manufacturing, trade and health as well as community and private sector stakeholders.

Strategic objective 4: Generation, dissemination, and uptake of good practices for emerging issues in biodiversity

121. GEF evaluations have shown that lessons and good practices¹¹ need to be better understood and more widely disseminated both internally and externally to produce further improvements in project design implementation and results. Furthermore, addressing emerging biodiversity issues often requires pilot activities before clear operational guidance and good practice is fully understood.

122. A key goal will be to improve the analysis, synthesis, dissemination and uptake of good practices, innovative approaches and new tools in biodiversity. This priority will be cross-cutting and will address good practice in objectives 1 to 3, with a distinct emphasis on strategic objectives 1 and 2 in accordance with importance and financial allocations, and within the context of guidance from the COP of the CBD. A project currently in the pipeline, Strengthening Capacity to Generate, Disseminate and Adopt Good Practices in Biodiversity Conservation is expected to make a major contribution to this objective.

123. Two issues that will receive a major focus in GEF-4 will be access to genetic resources and benefit sharing (ABS) and invasive alien species (IAS). As regards ABS, support under the strategic objective will continue to be provided for in the following areas: a) formulation of access and benefit-sharing mechanisms at the national, sub-regional and regional levels; and b) Capacity-building. Projects under development in GEF-3 include regional approaches in Asia and Africa in building capacity at national and regional level to facilitate the implementation of the Bonn Guidelines. GEF will continue to support countries and regions that demonstrate interest in pursuing similar capacity building initiatives in GEF-4. The proposed focus on IAS will be on capacity building to improve prevention, control, rapid response and management measures of IAS. Additional project support for the prevention, control and management of IAS

¹¹ The term “good practice” is used in preference to “best practice” because the quality of different “practices” of biodiversity conservation will be context-specific. Something that may be “best” in one situation may be bad, or “worst” in another.

will continue to be provided through Strategic Objectives One and Two as is currently being done.

124. Other emerging issues that have been identified for support during GEF-4 could include, *inter alia*: (a) technology transfer issues, based on the recently received guidance from COP-7; (b) application of the Addis Ababa principles on Sustainable Use of Biological Resources and (c) direct payments for in-situ conservation.

Measuring Results of the Biodiversity Portfolio

125. The process to measure the results of the biodiversity portfolio represents a continuation of the approach that was established during GEF-3. Portfolio-level monitoring tools ("tracking tools") have been developed and will be applied to measure progress in achieving coverage and impact targets for strategic objectives 1 and 2 of the focal area. The tracking tools permit the aggregation of project level outputs and outcomes to the program level and are the means by which the achievement of the program level targets will be verified.

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

Strategic Objective	Primary Outcome	Scenario 1 \$906 million	Scenario 2 \$935 million	Scenario 3 \$1,065 million
I. Catalyzing Sustainability of Protected Areas ¹²	Biodiversity conserved and sustainably used through the expansion, consolidation, and rationalization of national PA systems.	<p>\$425 million</p> <p>Targets and Indicators¹³</p> <p>At least 40 countries receive support for strengthening PA systems to ensure their long-term sustainability.</p> <p>At least 80 million ha of PAs supported.¹⁴</p> <p>At least 400 PAs supported of which at least 20 % (80 PAs) should be marine or freshwater protected areas.</p> <p>Number of protected areas and total hectares under any “global priority lists” or other international recognition (e.g., Biosphere reserves, World Heritage Sites, Ramsar, WWF Global 200 etc.).</p> <p>75% of PA systems demonstrate improved management effectiveness against baseline scenarios by mid-term and end of project.</p> <p>75% of individual PAs demonstrate improved management effectiveness against baseline scenarios by mid-term and end of project in management effectiveness as a contribution to a national PA system.</p>	<p>\$443 million</p> <p>Targets and Indicators</p> <p>Same as Scenario 1</p>	<p>\$525 million</p> <p>Targets and Indicators</p> <p>Scenario 1 plus at least 10 projects covering 50 freshwater ecosystem or marine protected areas.</p>

¹² Protected areas are not limited to formal national parks and legal entities but will also include indigenous and private reserves whose objective is biodiversity conservation.

¹³ The “coverage” targets are based on estimates of past funding and are met and accounted for at work program inclusion and are most easily expressed in number of hectares covered, numbers of projects, and number of countries.

¹⁴ The coverage targets for the portfolio have been developed based on FY91-04 of GEF support to protected areas. Average conservative estimate applied towards the targets: \$5/ha per PA: \$1 mil/PA; and 6 PAs/project.

<p>II. Mainstreaming Biodiversity within Production Landscapes and Sectors</p>	<p>Conservation and sustainable use of biodiversity integrated into production systems and sectors, development models, policies and programs.</p>	<p>\$270.5 million</p> <p>Targets and Indicators</p> <p>At least 10 projects in each production sector (forestry, fisheries, agriculture and tourism etc.) targeted to mainstreaming biodiversity into the sector.</p> <p>Landscapes and Sites</p> <p>At least 75 million ha in production landscapes and seascapes that contribute to biodiversity conservation or the sustainable use of its components.</p> <p>Public Sector Enabling Environment: 7 (70%) projects in each sector that have supported the incorporation of biodiversity aspects into (a) sector policies and plans at national and sub-national levels; (b) legislation; (c) implementation of regulations and its enforcement; and (d) monitoring of enforcement.</p> <p>Implementing and Executing Agencies</p> <p>50% of projects mainstream biodiversity into IA/EA development assistance, sector, lending programs or other technical assistance programs.</p> <p>Private Sector</p> <p>Measurement of cumulative market changes to which GEF projects have contributed. Measurement will vary depending on sector and the unit of measure of market impact.</p> <p>Individuals</p> <p>Number of individuals that demonstrate improved livelihoods based on sustainable use and harvest against the baseline scenarios.</p>	<p>\$280 million</p> <p>Additional 2 projects directly engaging private industry</p> <p>Targets and Indicators</p> <p>Same as Scenario 1</p>	<p>\$312 million</p> <p>Targets and Indicators</p> <p>Same as Scenario 1</p>
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III. Capacity Building for the Cartagena Protocol on Biosafety	Enhanced management capacity developed for the implementation of the Cartagena Protocol on Biosafety.	<p>\$75 million</p> <p>All eligible Parties to the CBD that have expressed the intention of becoming Parties to it receive capacity building to prepare for entry into force of the Protocol.</p> <p>Targets and Indicators</p> <p>To be developed as part of biosafety strategy (November Council)</p>	<p>\$75 million</p> <p>Targets and Indicators Same as Scenario 1</p>	<p>\$75 million</p> <p>Same as Scenario 1</p>
IV. Generation, Dissemination and Uptake of Good Practices for Addressing Current and Emerging Issues in Biodiversity	Improved analysis, synthesis, dissemination and uptake of good practices, innovative approaches and new tools, and emerging technical and social issues in biodiversity conservation from projects and programs supported and implemented by GEF and other actors.	<p>\$90 million</p> <p>Targets and Indicators</p> <p>100% of countries requesting assistance in capacity building in ABS receive support</p> <p>Improved design and implementation of projects</p> <p>Increased impact of project interventions</p> <p>Increased innovation in project design and implementation</p>	<p>\$90 million</p> <p>Targets and Indicators</p> <p>Same as Scenario 1</p>	<p>\$100 million</p> <p>Targets and Indicators</p> <p>Same as Scenario 1</p>
V. Small Grants Program		US\$ 32 million	US\$ 32 million	US\$ 32 million
VI. Cross-cutting Capacity Building Program		US\$ 7.5 million	US\$ 7.5 million	US\$ 12.5 million
VII. LDCs/SIDS Country Programs		US\$ 6 million	US\$ 7.5 million	US\$ 9 million

ANNEX 2. CLIMATE CHANGE

126. In its Third Assessment Report, IPCC states that human activities account for the increase in atmospheric concentrations of greenhouse gases (GHGs) causing a rise in mean global temperatures. The study found “new and stronger evidence that most of the warming observed over the last 50 years is attributable to human activities.”¹⁵ Even the most optimistic IPCC emissions scenarios predict further rises of carbon dioxide concentrations, globally averaged surface temperature, and the global mean sea level. IPCC models project that greenhouse gas forcing in the 21st century could set in motion large-scale, high-impact, non-linear, and potentially abrupt changes in physical and biological systems over the coming decades, including extreme weather events.

127. The objective of the UN Framework Convention on Climate Change (UNFCCC) is the “stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.”¹⁶ Stabilization of atmospheric CO₂ concentrations at 550 ppm would require total global CO₂ emissions to drop below 1990 levels within a few decades and continue to decrease steadily thereafter to a small fraction of current emissions. IPCC concludes: “the climate change issue is part of the larger challenge of sustainable development. As a result, climate policies can be more effective when consistently embedded within broader strategies designed to make national and regional development paths more sustainable.”¹⁷

Guidance from the UNFCCC

128. Consistent with the Convention’s objective, the GEF supported its first mitigation projects in the climate change focal area in 1991. GEF’s report to the first meeting of the Conference of the Parties (COP) describes the strategic dilemma between two possible pathways: a maximization of short-term impacts by supporting projects with immediate greenhouse abatement impacts using standard technologies versus a long-term maximization of cost effectiveness of climate-related measures by encouraging “those abatement and sequestration measures that are needed by developing countries in the long run and whose costs would decline if they were implemented in scale now.” The COP and the GEF Council eventually adopted “a mixed strategy wherein projects will be selected with a double set of program priorities, that is, if they meet either one of the long-term program priorities or one of the short-term program priorities.”¹⁸

129. The GEF continuously integrates Convention guidance in its programming, and reports on this to the COP as required by the Memorandum of Understanding between the two bodies. The initial guidance to the GEF already reflected what has been reinforced in many subsequent COP decisions: high priority is to be given to the funding of national communications. The GEF has also been requested to support developing countries in the implementation of their commitments by funding training of experts and institutional development, national public

¹⁵ IPCC TAR Summary for Policymakers, 2001, p. 5

¹⁶ Article 2, UNFCCC

¹⁷ IPCC, 2001, p. 4

¹⁸ Decision 12/CP.1

awareness for climate change and response measures, capacity building, and national climate change programs and their implementation, including the support of agreed activities to mitigate climate changes. The COP has also emphasized that the GEF should maintain flexibility to respond to changing circumstances, including new guidance.¹⁹

130. With respect to adaptation, COP decision 12/CP.1 defined a staged approach for support to adaptation. Stage I, consisting of planning and studies on climate change impacts and vulnerability assessments, has been supported through initial national communications. Stage II, defined to include identification of measures to prepare for adaptation, including further capacity building, was given priority for GEF funding at COP 4.²⁰ Subsequently, which includes measures to facilitate adequate adaptation, was given priority in a decision made at COP 7 called for the GEF to “establish pilot and demonstration projects that will provide real benefits, and may be integrated into national policy and sustainable development planning.”²¹ COP 10 requested the GEF to report on all adaptation activities being undertaken in the Strategic Pilot on Adaptation, the Special Climate Change Fund, the Least Developed Country Fund, the Small Grants Program, and all other efforts to mainstream adaptation into the GEF focal areas.

Climate Change Strategy

131. According to the GEF Operational Strategy, “the strategic thrust of GEF-financed climate change activities is to support sustainable measures that minimize climate change damage by reducing the risk, or the adverse effects, of climate change. The GEF will finance agreed and eligible enabling, mitigation, and adaptation activities in eligible recipient countries.”

132. With respect to enabling activities, Initial National Communications were funded, and National Communications from over 120 non-Annex I countries have been presented to the COP. Funding for second and subsequent national communications is being managed by UNDP and UNEP through the National Communications Program for Climate Change with GEF Secretariat oversight. This support to enabling activities has included support for both Stage I and II adaptation activities.

133. With respect to adaptation, the GEF has responded to further guidance from the COP by creating four avenues for funding adaptation, three of which are already operational: (1) the Strategic Objective of “Piloting an Operational Approach to Adaptation” (SPA) under the GEF Trust Fund; (2) the Special Climate Change Fund (SCCF)²²; (3) the Least Developed Country Fund (LDCF)²³; and (4) the Adaptation Fund²⁴. COP guidance calls for the GEF to support adaptation activities under either the GEF Trust Fund²⁵ or the new climate funds²⁶. Adaptation

¹⁹ Decision 2/CP.4. A more complete summary of the Convention guidance and GEF compliance is contained in the Climate Change Program Study 2004 of the GEF Office of Monitoring and Evaluation.

²⁰ Decision 2/CP.4

²¹ Decision 6/CP.7

²² Recently established to address adaptation as first priority and secondly technology transfer.

²³ For development and implementation of national adaptation programs of action for the LDCs.

²⁴ To be funded from proceeds of the Clean Development Mechanism under the Kyoto Protocol and voluntary contributions.

²⁵ Decision 6/CP.7 and Decision 4/CP.9

²⁶ Decision 7/CP.7; Decision 6/CP.9; and Decision 5/CP.9

projects supported under the GEF Trust Fund will be expected to generate global environmental benefits by increasing the adaptive capacity of vulnerable ecosystems, thereby preventing biodiversity loss: reducing land degradation; improving management of international waters; eliminating POPs; or decreasing GHG emissions. In contrast, adaptation projects supported under the LDCF and SCCF mostly generate local benefits by reducing vulnerability and increasing the adaptive capacity of key development sectors such as water, agriculture, and health. Consequently, adaptation measures supported under the GEF Trust Fund are complementary to, but not duplicative of, adaptation measures supported under the new climate funds.

134. With respect to mitigation activities, GEF programs take a long-term perspective to reducing GHG emissions through developing and transforming the markets for energy and mobility in developing countries so that they will operate efficiently and shift toward less carbon-intensive paths while fostering economic growth and sustainable development. GEF projects support the removal of barriers to the large-scale adoption of energy efficiency and renewable energy technologies and sustainable transportation practices.

Climate change strategic priorities in GEF-3

135. Building upon the conclusions of the first Climate Change Program Study and the Second Overall Performance Study of the GEF completed at the end of GEF-2, programming in the climate change focal area was guided by six strategic priorities during GEF-3:

- (a) market transformation for high volume low-GHG products or processes;
- (b) increased access to local sources of financing;
- (c) power sector policy frameworks supportive of renewable energy and energy efficiency;
- (d) productive uses of renewable energy;
- (e) global market aggregation and national innovation for emerging technologies; and
- (f) modal shifts in urban transport and clean vehicle/fuel technologies.

Responding to Lessons Learned from CCPS2 and OPS3

136. The Climate Change Program Study (2004) noted that the strategic priorities did not seem to lend clarity to the programming framework and contributed to an overall lack of conceptual clarity. This finding was confirmed by OPS3. The Program Study also highlighted that successful GEF project interventions have addressed five different categories of barriers. Past efforts have been most successful when they adopted a systematic approach to removing barriers in these five categories: policy environment, the availability of financing, business models and management skills, information and awareness, and technological factors. Each of these “pillars” constitutes a necessary condition for market development, or may impose a barrier to market transformation. Although not all projects will address all barriers, successful

market development requires that prevalent conditions with respect to each of these “pillars” are sufficiently free of barriers to allow for sustained growth.

137. GEF’s programming framework for GEF-4 has been clarified and redesigned using this model for market development which fits within the established operational programs, while learning from experience by intensifying successful areas and refocusing promising avenues that have not been fully exploited. Knowledge management activities are expected to play a larger role in GEF-4 than in the past as recommended by CCPS2 and OPS3.

138. With respect to adaptation, the process resembles that encountered in other focal areas, such as International Waters and POPs, where a growing number of countries are ready to move from the enabling activity stage to implementation. The establishment of the Strategic Pilot on Adaptation (SPA) is a response representing first steps toward taking action on adaptation, and SPA financing will be focused on adaptive actions that generate global environmental benefits.

GEF and Technology Transfer

139. The GEF has always strived to facilitate the transfer of climate-friendly technology, and will continue to do so in the future. The five-pillar framework sketched out above intends to develop local capacity for technology transfer and to disseminate climate-friendly technologies in a manner consistent with the GEF principles of cost-effectiveness, sustainability, replicability, and country-drivenness. This framework is in line with the recommendation of the IPCC in its special report on technology transfer that a successful approach to technology transfer would rely on the removal of barriers to the unimpeded growth of the markets for these new technologies. However, IPCC also cautioned that there is no predefined approach that would suit all countries or technologies, and the GEF approach accounts for the needed flexibility – as required by the principles of country drivenness.

140. The GEF publication “10 Examples of Technology Transfer” highlights how the GEF puts this approach into practice. GEF projects rely on both an assessment of the barriers that prevent local markets for new mitigation technologies and practices from developing and a strategy to remove those barriers and spur the development of the market for these new technologies. Over the decade in which it has been in existence, the GEF has supported projects in over 130 countries, seeking to develop and transform markets for more than two dozen technologies.

141. In addition, responding to a request from the COP,²⁷ the GEF financed interim measures for capacity building in priority areas for most non-Annex I Parties, the vast majority of which have included support for countries to carry out technology needs assessments (TNAs). TNAs are expected to form a basis for countries to determine in a systematic way their technological needs to respond to the Convention.²⁸

²⁷ UNFCCC Decision 2/CP.4, the COP requested the GEF to enable Parties to “identify and submit to the Conference of the Parties their prioritized needs, especially as concerns key technologies needed in particular sectors of their national economies conducive to addressing climate change and minimizing its adverse effects.”

²⁸ Decision 4/CP.9 also requests the GEF to “continue to support enabling activities relating to technology needs assessments”. All countries that did not receive support for TNAs as part of their top-up to their initial enabling

142. Thus, the largest part of the existing GEF climate change portfolio seeks to facilitate transfer of those technologies that are needed in developing countries to reduce the growth of GHG emissions. To this end, the GEF has leveraged large amounts of co-financing for investments in climate-friendly technologies²⁹. Through its active portfolio, the GEF has tested innovative approaches to transforming the markets for new technologies and will continue to learn from its experiences through an active knowledge management program.

GEF and Carbon Finance

143. Carbon trading presents both challenges and opportunities to the GEF. The opportunities arise in the form of possible synergies that might be created through the combination of GEF support and carbon finance. Although carbon finance (financing made available through the carbon trade) has proven useful in providing additional revenue streams to climate change mitigation projects, it rarely extends to fill financing gaps for construction, development costs, resource and risk assessment, and design and licensing requirements of projects, particularly those in the energy efficiency or renewable energy fields. Thus, even where carbon finance is well-developed, there may be barriers to the adoption and dissemination of energy efficiency and renewable energy. The challenge to the GEF is to find ways to maximize synergy and collaboration between the GEF and carbon finance while minimizing any potential duplication, overlap, or unproductive competition that might arise between the two instruments.

144. The opportunities for complementary interactions between the GEF and carbon finance exist both outside and inside the climate change focal area. Within the climate change focal area, many opportunities exist for the GEF and carbon finance to play a complementary role in stimulating the growth of the market for renewable energy and energy efficiency. Investments in clean energy are attractive to carbon finance, but frequently barriers exist that prevent these investments from being made. Thus, there is a need for “barrier-removal” type support to enable the clean energy investments favored by carbon finance to come about. Recognizing that significant barriers remain to financing renewable energy and energy efficiency (particularly for small projects and projects in poorer communities), the GEF will seek synergies with carbon finance to expand the investment portfolio of climate-friendly technologies. The GEF Secretariat and the Implementing Agencies will bring to the Council’s attention innovative means of utilizing GEF resources to complement carbon finance to more effectively reduce the threat of global climate change. The GEF Private Sector Strategy Paper, currently being finalized for review by the GEF Council, will address these possibilities more explicitly.

145. Outside of the climate change focal area, carbon finance can contribute positively to the investment returns of projects in international waters, land degradation, and biodiversity.

activity are now encouraged to request funding to undertake a TNA as part of the preparation of their Second National Communication. Funding for these assessments will be provided out of the umbrella enabling activity project,” National Communications Program for Climate Change”, being implemented by UNDP and UNEP. As the money has been set aside under GEF-3, no additional funding needs for GEF-4 are foreseen in this area.

²⁹ One additional source of financing for technology transfer is the Special Climate Change Fund, which has been recently created and also tasked with technology transfer. This fund will address elements of technology transfer that are not normally funded out of the GEF Trust Fund, such as supporting research and development, technology transfer programs, the purchase of patents and intellectual property of interest, and other initiatives that might be closely tied to the flexible mechanisms of the Kyoto Protocol.

Revenue streams from carbon sequestration resulting from improved land-use management or land preservation (LULUCF) can enhance investment returns from natural-resource based investments. At present, these projects may take advantage of the opportunities provided by carbon finance to enhance their revenue streams.

Sustainability, replicability and cost-effectiveness

146. GEF projects are required to meet sustainability criteria measured in environmental, social, technical, and economic dimensions. Projects must continue to accrue benefits to the environment and society and operate in a technically and economically viable manner following the conclusion of GEF support. Projects that meet these criteria are also more likely to be replicable, that is, they can be reproduced on a wide scale, either through continued growth of a particular market for low GHG technologies or by transferring the knowledge, lessons, and experiences to similar markets and countries. GEF projects are also required to demonstrate cost-effectiveness.³⁰ GEF climate programs seek long-term cost-effectiveness in GHG reductions through barrier removal and market transformation. Cost-effectiveness can be calculated in terms of tons of emissions reduction per unit of resource input for projects that directly result in emissions reduction. However, such an approach is overly simplistic and reduces the complex nature of cost-effectiveness to a simple metric that is neither robust nor fully comparable among GEF projects or between GEF projects and other climate change mitigation projects. Alternatively, cost-effectiveness can be evaluated by examining alternative approaches and selecting the one that will likely produce the most desirable outcome at a given level of resources. Although these approaches are not mutually exclusive, each has its pros and cons. Because of the long-term, market transformation approach taken by most climate change projects and the diverse market interventions, measuring cost-effectiveness in a systematic, consistent, and meaningful manner will continue to be a challenge.

Proposed Strategic Objectives in GEF-4

147. After consultation with the Implementing Agencies, it is proposed that climate change mitigation programming focus on the following eight strategic objectives, under the operational programs, as described briefly in the sections below.

148. The proposed allocation of resources by operational programs is provided in the accompanying table. As the Resource Allocation Framework (RAF) will allow recipient countries to control the allocations to each strategic objective, it is difficult to specify an allocation by strategic objective: the figures provided are therefore notional. As the GEF has also proposed to commit \$100m per year to renewable energy as one of its commitments to the Bonn 2004 Renewable Energy Conference, this amount is held constant through the replenishment scenarios.

149. Since the formulation of the Operational Strategy in 1995, the GEF has funded extremely cost-effective opportunities for GHG abatement under the category of the Short-Term Response Measures (STRM). To qualify under this funding window, a project had both to represent a

³⁰ See GEF/C.25/11 for more detailed discussion.

country's highest priority for GHG abatement and to demonstrate a unit abatement cost of less than \$10 per ton of carbon (\$2.7/ton of CO₂ eq). Most of the projects funded under this window have focused on non-CO₂ gases, most notably methane. Because of their low unit abatement costs, projects abating methane and other non-CO₂ gases have drawn considerable interest in the carbon market. There appears to be little justification for the GEF to continue to fund projects under the STRM window. In fact, the last project approved under the STRM window entered a GEF Work Program in November 2002, and there are no STRM projects currently in the GEF pipeline. Therefore, it is proposed that the STRM window for climate change mitigation projects be closed to further programming.

Operational Program 5: Energy Efficiency

150. *Strategic objective 1: Promoting energy-efficient buildings and appliances.* Every use by buildings and appliances represents the single largest source of electricity use in most developing and developed countries alike. Enormous opportunities exist for the adoption of energy-efficient systems and appliances used in buildings. Past experience suggests that successful interventions should take a holistic view of the market and the barriers and target both the supply and demand side of a market. GEF support will place priority on removing institutional, regulatory and financial barriers by promoting energy-efficient building designs and energy codes, reforms of billing and metering systems, innovative financing schemes, consumer education, standards and labels for appliances, and technical support to builders and equipment manufacturers.

151. *Strategic objective 2: Promoting industrial energy efficiency.* Industrial energy use constitutes a considerable share of total energy consumption in many GEF recipient countries. Promoting the deployment and diffusion of energy-efficient technologies and practices in industrial production and manufacturing processes in these countries will contribute to their industrial competitiveness and economic development while reducing GHG emissions. GEF interventions in industrial energy efficiency will focus on the energy-intensive sectors that have the potential for large-scale, cost-effective energy savings. Emphasis should be given to selecting appropriate financing instruments, including non-grant financing, developing viable business models, and energy efficiency benchmarking so as to build commercially sustainable markets.

152. *Strategic objective 3: Promoting rehabilitation of large power plants.* Large conventional power plants are still the backbone of the energy systems around the world, and upgrading them may represent one of the greatest single opportunities for GHG emission reductions. Upgrading and re-powering the inefficient, older electricity generation units in GEF recipient countries often has short payback times and thus little or no incremental costs, but frequently does not take place for reasons such as a lack of human or institutional capacity, or improper incentive structures. The GEF will add a strategic objective to its climate change focal area that helps overcome barriers for the efficient operation and re-powering of existing large-scale power plants. GEF support will focus on programmatic approaches to capacity building, knowledge transfer, and financial engineering to maximize financial leverage and present and future GHG benefits.

Operational Program 4: Renewable Energy

153. *Strategic objective 5: Promoting grid electricity from renewable sources.* Connecting renewable power plants to the grid provides the most environmentally sustainable opportunity for substituting CO₂-producing electricity generation. The challenge is that even the commercial or near commercial renewable energy technologies remain more expensive than fossil-fuel alternatives. Their deployment may require skills, knowledge, financing, policies, and business models that differ from those currently found in the power sector in many countries. Experience has shown that GEF resources can be used cost-effectively in this area. GEF support will focus on helping interested governments overcome barriers to the establishment of regulatory frameworks suited to a sustainable expansion of the share of domestic renewable electricity generation in a cost-effective manner.

154. *Strategic objective 5: Promoting renewable energy for rural energy services.* In rural settings, renewable energy sources are often the most cost-effective and least environmentally destructive alternatives to supply energy for rural needs. However, many rural energy access programs ignore the opportunities for using renewable energy sources to provide these rural energy services. Often, transaction costs for technological flexibility are high; awareness of and confidence in renewable options is low; and a level playing field is hard to create. GEF funding will include—but not be limited to—support for renewable energy as part of rural electrification programs; renewable energy supply for mini-grids; renewable energy for productive uses (including socially productive uses); and renewable energy for use in rural industry. GEF support will concentrate on creating a proper enabling environment; providing support to jump-start rural renewable markets until they reach a minimum critical mass; and assisting, in a technologically-neutral manner, interventions providing renewable energy to rural consumers. Although renewable energy is expected to be the least-cost alternative in these off-grid applications, GEF support is intended to stimulate the creation and maturation of sustainable markets for renewable, rural energy provision.

Operational Program 7: Reducing the Long-term Cost of Low-GHG-emitting Energy Technologies

155. *Strategic objective 6: Supporting the deployment of new, low-GHG-emitting energy technologies.* Emerging, low-GHG-emitting energy technologies may be able to fill important niche applications in developing countries, but they are not utilized currently because of the cost of the technology. By supporting projects in these niche markets and linking them to early experiences in developed countries, GEF support will help developing countries gain early experience with the technology and contribute to the technology's cost-reduction. Thus, GEF will help developing countries benefit from the early transfer of these technologies in applications where the willingness to pay is highest and the incremental costs are lowest. During GEF-4, emphasis will be placed on technologies used in distributed generation such as on grid PV and stationary fuel cells and market aggregation approaches so that an active link to technological development in Annex I countries can be encouraged to improve impact and cost-effectiveness. Even more so than the other operational programs and strategic objectives, this area of work adopts a long-term perspective to its impacts. Replication and sustainability will be achieved only as the price of the technologies falls and the market—in both developing and developed countries—expands.

Operational Program 11: Sustainable Transport

156. *Strategic objective 7: Facilitating sustainable mobility in urban areas.* Because the transport sector is the most rapidly growing source of GHG emissions in many developing countries, developing countries require assistance to facilitate GHG emission reductions through transforming urban mobility toward less GHG-intensive practices. The initial portfolio in this new operational program was biased toward vehicle technologies. GEF’s focus during GEF-4 will be on supporting modal shifts to less polluting modes of public as well as private transport, through traffic flow and demand management, soft support to transport infrastructure (bus-rapid transit systems, non-motorized transport (NMT), and walkways), and land-use, urban planning, and regulation. Successful implementation of these efforts may require the involvement of a set of stakeholders and local partners (such as municipalities and urban institutions) that are new to GEF interventions.

Adaptation

157. *Strategic Priority on Adaptation (SPA):* Piloting an operational approach to adaptation. Global warming is already resulting in climate change impacts that are evident around the world. Developing countries—and especially the poor within developing countries—are very vulnerable to the impacts of climate change. In response to the needs of developing countries for support for adaptation, the strategic priority on adaptation (SPA) was recently created to provide support to adaptation within the GEF portfolio. The objective of the SPA is to pilot adaptation interventions through projects that provide global environmental benefits and integrate adaptation planning and assessment into national policy and sustainable development plans. These projects will focus on ensuring the viability of global benefits in biodiversity conservation, protection of international waters, arresting land degradation, reducing greenhouse gas emissions, or reducing releases of POPs. Priority will be given to particularly vulnerable ecosystems, communities and geographical areas so as to maximize the generation of global benefits. The new funds especially the LDCF and the SCCF may be called upon to support adaptation activities that generate benefits by alleviating barriers to development caused by the adverse impacts of climate change. In contrast to support under the SPA where the goal is the attainment of global environmental benefits, projects supported under the new funds are expected to produce benefits that are primarily local in nature. This is a key distinction between these sources of adaptation funding and is fully consistent with Convention guidance.

158. Flexibility will be required to allow for future decisions on adaptation policy and resource demands under GEF-4 following the recommendations of the independent evaluation that is planned to take place at the end of the pilot phase, and taking into account evolving COP guidance³¹.

Measuring Results of the Focal Area Portfolio

159. Given the focal area strategic approach that relies upon the five “pillars” (see paragraph 130), successful outcomes in each of the projects being implemented will mean that barriers in

³¹ Other funds.

the targeted markets are removed or mitigated with respect to policy, finance, business models and skills, information, and technology. Efficient market expansion requires a harmonized scaling-up of these five conditions for functioning markets.

160. To provide an indication of coverage and breadth of the climate change portfolio, a special indicator entitled “market intervention” has been developed. A “market intervention” can be defined as a project or an activity designed to develop, expand, and/or transform a particular market. Typically, a “market intervention” will occur when a project focuses on specific national market for a technology, such as on-grid wind energy. However, some projects will focus on more than one technology or market, and can count as more than one market intervention. So a rural, renewable energy project promoting photovoltaic and small hydro can be said to entail two market interventions. For GEF-4, the target number of market interventions is set at 150. Of these, approximately 60 percent will be new market interventions. The new programming areas can be expected to have a higher proportion of new market interventions than the established ones. Under the adaptation pilot, an intervention may be interpreted as a project activity focusing on a specific sector in a particular country. An adaptation project focusing on water in the highlands and the coastal areas might be counted as constituting two interventions.

161. Further indicators will be developed for each strategic objective, to support portfolio management and program assessment. The basis for these indicators is the Monitoring and Evaluation Working Paper 4 “Measuring Results from Climate Change Programs” (September 2000). The paper suggests seven core dimensions of evaluation, in particular: energy production or savings and installed capacities; technology cost trajectories; business and supporting services development; financing availability and mechanisms; policy development; awareness and understanding of technologies; and energy consumption, fuel-use patterns and impacts on end users. Pilot applications of this evaluation framework in the daily GEF practice have demonstrated that the framework shows promise to measure the GEF impact in line with the GEF mandate and operational strategy, but it requires some more specification in order to be operational. The framework described above will make this possible, as the impacts of each strategic objective will be easier to capture in the suggested parameters than the impact of a whole operational program. This will lead to a more consistent monitoring of long-term impacts of GEF climate change projects. The full strategy document for the climate change focal area will specify a first set of impact indicators for each strategic objective.

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

Strategic Objective	Outcome	Scenario 1	Scenario 2	Scenario 3
Climate Change: Develop, expand, and transform the markets for energy and mobility in developing countries so that over the long term, they will be able to grow and operate efficiently toward a less carbon-intensive path		Total = \$906 million	Total = \$935 million	Total = \$1,065 million
OP 5 Energy Efficiency Promoting energy-efficient buildings and appliances. Promoting industrial energy efficiency. Promoting repowering of power plants	Favorable Conditions for Market Development in Terms of: Policy , Finance, Business Models, Information and Technology	\$ 300 million Targets & Indicators No of targeted market intervention = 50 Number of Appliance or Building Programs supported Number of Industrial % programs supported	\$300 million Targets & Indicators No of targeted market interventions = 50 Number of Appliance Programs supported Number of Industrial % programs supported Number of Building Programs Supported	\$ 315 million Targets & Indicators No of targeted market intervention = 62 Number of Appliance Programs supported Number of Industrial EE programs supported Number of Building Programs Supported
OP 6 Renewable Energy Promoting grid electricity from renewable sources. Promoting renewable energy for rural energy services	Favorable Conditions for Market Development in Terms of: Policy, Finance, Business Models, Information and Technology	\$ 400 million Targets & Indicators Target Number of Market Interventions= 55 across all scenarios (32 new) Number of Countries Working on RE Grid Regulation; Number of Countries	\$ 400 million Targets & Indicators Target Number of Market Interventions= 55 across all scenarios (32 new) Number of Countries Working on RE Grid Regulation; Number of Countries	\$ 438 million Targets & Indicators Target Number of Market Interventions= 60 across all scenarios (36 new) Number of Countries Working on RE Grid Regulation; Number of Countries

		receiving rural RE Support	receiving rural RE Support	receiving rural RE Support
OP 7 Low GHG-emitting Energy Technologies Supporting the deployment of new, low-GHG-emitting energy technologies.	Growth in Market for New Technologies	\$ 35 million Targets & Indicators Target Number of Market Interventions= 5 across all scenarios (5 new) Number of Programs supporting New Technologies	\$ 35 million Targets & Indicators Target Number of Market Interventions= 5 across all scenarios (5 new) Number of Programs supporting New Technologies	\$ 40 million Targets & Indicators Target Number of Market Interventions= 5 across all scenarios (5 new) Number of Programs supporting New Technologies
OP 11 Sustainable Transport Facilitating sustainable mobility in urban areas.	Market for Mobility Transformed	\$ 95 million Targets & Indicators Number of Market Interventions—12 (10 new) Number of Cities Engaged in Transport Programs	\$100 million Number of Market Interventions—15 (12 new) Number of Cities Engaged in Transport Programs	\$ 118.5 million Number of market interventions= 18 (15 new) Number of Cities Engaged in Transport Programs
Adaptation: Piloting a strategic approach to adaptation	Strategic Learning regarding GEF Focal Areas and Adaptation	\$ 30 million Targets & Indicators Target Number of Market or sector Intervention = 5	\$ 53 million Targets & Indicators Target Number of Market or sector Interventions = 8	\$ 100 million Targets & Indicators Target Number of Market or sector Interventions = 10
Small Grants Program*		\$ 32 million	\$ 32 million	\$ 32 million
Cross-cutting Capacity Building*		\$ 7.5 million	\$ 7.5 million	\$ 12.5 million
LDCs/SIDS Country Programs*		\$ 6 million	\$ 7.5 million	\$ 9 million

ANNEX 3. INTERNATIONAL WATERS

162. During 1994, the GEF Council began deliberations on its operational strategy. Chapters 17 and 18 of Agenda 21 provided background for the Council discussions on the International Waters (IW) focal area. The strategy recognized that international collaboration is needed among sovereign nations to reverse the decline of large, multicountry freshwater and marine systems and to resolve conflicting uses leading to depletion, degradation, and social unrest. It also recognized that special enabling activity processes and capacity building are needed to engage multiple states to address transboundary concerns such as increased pollution loading, over-harvesting of fisheries, unsustainable diversion and use of freshwater resources, and loss of wetland habitats necessary to maintain economic and social systems. In fact, these foundational capacity building processes have turned out to be key elements for encouraging countries with historic conflicts to collaborate towards increased peace, security and stability.

163. The Global International Waters Assessment (GIWA) has recently outlined the magnitude and extent of transboundary water degradation, depletion, and use conflicts.³² Together with the Millennium Ecosystem Assessment, these analyses portray potentially dangerous and destabilizing social impacts to economies, people and ecosystems. These threats come from unsustainable water use by irrigated agriculture and water flow modifications (including groundwater depletion), over-fishing freshwater and marine systems, pollution loading from agriculture and sewage (particularly nitrogen and phosphorus cycle disruptions), invasive species, and habitat conversion. Fluctuating climatic regimes and droughts just make the social and economic impact of these transboundary concerns even worse. These are exactly the same priority water-related transboundary concerns currently being addressed by countries in the International Waters (IW) focal area.

164. With adoption of the Millennium Development Goals and subsequently the WSSD Plan of Implementation, the world community has placed a new imperative on enacting reforms in water resources management. This new awareness stems from the realization that achieving many MDGs is contingent on balancing the multiple uses of water resources through integrated water resources management (IWRM) and that significant reforms are required nationally and regionally in water resources to make this happen. Water is unsustainably used, fisheries are unsustainably harvested, and excessive pollution makes water unusable in many large water systems. IW has assisted dozens of nations to pilot practical approaches that can address these concerns through IWRM processes at the transboundary and national basin scales.

International Waters Operational Strategy

165. Resolution of water-related conflicts and reversal of resource depletion by OECD countries in their shared transboundary systems has proven to be a slow process taking several decades to gain political commitment to joint action and additional time for investments and reforms. GEF-recipient countries face similar use conflicts and challenges in their multicountry systems, so a strategy of progressive engagement over a decade or more is necessary as was demonstrated by OECD countries. In many cases, GEF recipient and non-recipient countries are

³² The Global International Waters Assessment was prepared with collaboration of one thousand six hundred scientists and experts and assessed sixty-six specific transboundary regions.

located in the same freshwater or marine systems. As a result of GEF financed activities, twenty non-recipient countries have begun collaborating with their recipient country neighbors in jointly addressing their site-specific freshwater and marine transboundary water concerns, including fisheries. Globally, by the end of FY 04, 135 different nations were working together in 100 projects with GEF assistance toward solutions for their transboundary water concerns.

166. The operational strategy outlines GEF's objective in this area as follows: to contribute primarily as a catalyst in implementing a more comprehensive, ecosystem-based approach to managing transboundary water systems as a means of achieving global benefits. The objective is for GEF to have a catalytic impact. With such modest funding, GEF's success is to be measured by whether commitments to action are made and whether countries and their development partners follow up on the agreed actions. This catalytic approach entails funding a series of processes through foundational capacity building (analogous to enabling activities) that have the effect of building trust and consensus among the nations to jointly adopt commitments to action for transboundary concerns. If agreement on policy, legal and institutional reforms and investments is achieved, GEF may then fund a project or projects to assist with the agreed incremental costs of enacting regional, national, or local reforms and demonstration investments aimed at the transboundary concerns as a contribution toward sustainable development.

167. The outcomes of these projects have been encouraging with a time span for coming to joint agreement for action significantly reduced over OECD experiences. Ministers have agreed to joint action programs for twenty one transboundary systems by GEF-2 and another thirteen are projected by the end of GEF-3. Ten regional and one global treaty have been enacted that express political commitments of the countries to action and to sustainability after the GEF projects end. Co-financing has increased greatly during GEF-3 from barely 1:1 to 1:2.5 as the transition to implementation from enabling activities has begun. Without enacting the water reforms and the scaling up of demonstration investments now ready for implementation in these large water systems, many countries will not be able to meet the MDGs.

OPS3 Findings for International Waters

168. The operational strategy and three IW operational programs, approved in 1995, remain valid and provide a sound basis upon which to develop realistic scenarios for GEF-4 replenishment levels, targets, and indicators. OPS3 has found the focal area to be a "well-managed portfolio of interventions that extends to almost every GEF-eligible large catchments and large marine ecosystem, and is increasingly successful at leveraging collateral funding, including investments". OPS3 has stated "the GEF IW program has achieved significant outcomes...has been an effective agent for policy, legal, and institutional reforms and for valuable results such as regional integration, political stability, and promotion of peace and security...making an important contribution to MDGs and the Johannesburg Declaration...".

169. OPS3 confirmed a number of findings from the M & E Programs Study that would require additional administrative resources for producing a guide to the focal area to improve clarity, improvements in supervision by Implementing Agencies, additional responsibilities for the IW Task Force for overseeing regional collaboration, and modifications of the project level M & E indicator framework to serve as a practical tool for program level indicators. While knowledge

management innovations in the focal area were praised by OPS3 as part of the GEF IW:LEARN program, very little was specifically mentioned about sustainability and replicability in the focal area. The strategic objectives proposed for GEF-4 do place a premium on contributing to these three important features. OPS3 notes that “the new challenge of the GEF IW program...is to push beyond the shorter term goals of the operational programs to longer-term financial mobilization and realization of demonstration projects...” OPS3 recommends: “the IW Program move from enabling activities to scaling up of full operations to address agreed priorities for globally critical transboundary water systems.”

Proposed Strategic Objectives for GEF-4

170. The three strategic objectives proposed for GEF-4 represent an evolution of the focal area reflecting lessons of experience, findings of the current OPS3, STAP advice, movement towards integrated natural resources management, and the global consensus for meeting the MDGs and WSSD targets. With the completion of many IW “enabling activity” projects for several dozen groups of countries collaborating on their specific transboundary basins or marine ecosystems, the focal area is now ready to move to on-the-ground implementation action to address agreed transboundary concerns in GEF-4.

171. GEF is poised to move from limited priority setting, testing and demonstration to scaling-up of full on-the-ground operations in support of reforms, investments, and management programs needed to implement the agreed action programs that underpin the transition to sustainable development for transboundary water systems and that can contribute to WSSD targets and MDGs. The focal area has internalized the imperative of integrating across focal areas as a step towards integrated natural resources management. Only resource limitations prevent the realization of the principal recommendation of OPS3. As a result of limited funding and huge demand from over 100 nations, only partial scaling-up can now be contemplated in GEF-4 despite the recommendations of OPS3, even at the enhanced level of proposed GEF Replenishment.

172. Strategic Objective 1: Catalyze on-the-ground implementation of management action programs, regional/national reforms, and stress reduction measures agreed through TDA-SAP or equivalent processes for transboundary water systems.

173. The objective is to facilitate efforts of collaborating nations to implement policy/ legal/ institutional reforms and stress-reducing investments in those transboundary systems where agreement on action on particular transboundary water concerns has been reached. Resource mobilization should ideally be mainstreamed into regular programs of agencies, national economic planning of participating nations, engagement of the private sector, as well as GEF incremental cost finance. The modality of a “Strategic Partnership Investment Fund”³³ successfully piloted in the Danube/Black Sea Basin during GEF-3 for catalyzing on-the-ground

³³ Strategic Partnerships are proving to be an effective funding modality for implementation of agreed action programs for transboundary water systems within GEF. A Strategic Partnership (SP) consists of a major component, the Investment Fund (with a multilateral Bank), often accompanied by a parallel project for regional capacity building, coordination and replication purposes. The Danube/Black Sea Basin Strategic Partnership for nutrient reduction approved by Council in 3 Investment Fund tranches is a good example.

investments will be tested in three other parts of the world (East Asia, Africa, Middle East/North Africa) during GEF-4. Targeted alliances and strategic partnerships among nations, agencies, and development partners will be pursued to assist in moving toward nationally adopted water body targets agreed as a result of GEF action. These implementation-focused alliances and partnerships aim to bring coherence among countries, agencies, and development assistance organizations in addressing transboundary water concerns while generating significant local benefits as documented by the Local Benefits Study of the Office of Monitoring and Evaluation. Of the three strategic objectives, this “implementation” objective will receive the majority of funding (about 60%) under all funding scenarios.

174. The use of “Strategic Partnerships” and the “Investment Fund” modality have proven useful in mobilizing finance to modestly scale up implementation. The experience to date has shown that replication may be catalyzed with different agencies working together according to their comparative advantages with countries as reforms and investments are mainstreamed. The three new tests in other parts of the world should yield a scaling up of investments, increased replicability and increased cooperation among Implementing Agencies. Mainstreaming into the regular programs of the agencies should foster sustainability, and the political commitment to action in reforms and investments expressed by regional conventions adopted for the transboundary systems should contribute to increased sustainability and replicability in response to OPS3. Outcomes will consist of policy/legal/institutional reforms implemented nationally as well as measurable pollution reduction, water use efficiency improvements, restored wetlands, sustainable fisheries, and functioning transboundary institutions. Indicators and targets are summarized in the accompanying tables.

175. Strategic Objective 2: Expand global coverage of foundational capacity building to a limited number of new transboundary systems with a focus on key program gaps and cross-focal area integrated approaches as well as to foster replication through targeted learning in the IW portfolio.

176. The objective is to respond to the large backlog of country-driven requests for initial foundational capacity building work for a number of transboundary systems that have not been assisted by GEF so that capacity may be built for future catalytic action. This expansion to a limited number of new areas will focus on key program gaps such as groundwater and balancing competing water uses through IWRM as well as integration among focal areas in natural resources management. LDCs and SIDS will receive priority over competing proposals. In view of resource limitations and in order to increase GEF responsiveness to countries, MSPs will be utilized more frequently as initial steps.

177. South-to-South sharing of experiences, structured learning, technology transfer, and filling gaps in understanding of transboundary water systems have been important to this focal area. The GEF focus on knowledge management will benefit from targeted learning in this area, including enhancement of the IW:LEARN program among all three Implementing Agencies and expanding this regionally and thematically to address recommendations of the OPS3 on replicability and STAP advice on groundwater. It is proposed that this strategic objective receive about 20-25 % of focal area resources. Outcomes would range from ministerial agreed action programs of

reforms and investments to increased replication of good practices resulting from targeted learning.

178. Strategic Objective 3: Undertake innovative demonstrations with emphasis on balancing competing water uses through IWRM, reducing persistent toxic substances (PTS) beyond POPs, and protecting valuable groundwater supplies (especially in SIDS), including testing of public-private partnerships and innovative financing.

179. An important element of the operational strategy for IW has been the financing of demonstration projects in different sectors that address priority transboundary concerns. These projects test the local feasibility of innovative technology and reduce barriers to utilization. During GEF-3, a number of promising approaches have undergone development as well as initial demonstration. They are now nearing maturity for funding, especially for water-related concerns of SIDS, including protection of surface and groundwater supplies, balancing competing uses of water, and reduction of mercury releases and other persistent toxic substances. SIDS will be given priority for funding consistent with the large pipeline, with 90% of all SIDS expected to take on-the-ground action as a contribution to the Program of Action adopted by Governments at the Mauritius SIDS meeting in January 2005. PTS reduction through demonstration projects has been included in IW OP 9 since 1996. It includes the thousands of chemicals that are not covered under the Stockholm Convention and originally did include POPs before the convention was adopted. Many country driven requests for assistance in other operational programs limit development of objective, which now has a priority placed on it in Scenario 3 (see attached table) to move beyond POPs.

180. The use of IWRM in balancing competing water uses and the focus on groundwater demonstrations integrated with other focal areas also contribute to the WSSD target on IWRM and to achieving MDGs.

181. Outcomes will include innovative reforms, new technologies, and on-the-ground measures being tested locally. Public-private partnerships will be tested along with demonstrations for innovative financing. Pollution reduction, water use efficiency, protection of SIDS water supplies, and measurable reductions in PTS will be achieved in these pilot demonstrations. The level of effort will vary with funding provided. Less than 20 % of focal area resources would be devoted to this strategic objective with measurable outcomes demonstrated as noted in the attached table.

Outcomes, Indicators and Integration among Focal Areas

182. Outcome targets for GEF-3 were greatly exceeded as noted by OPS3. A more extensive series of targets is proposed in the attached table for GEF-4 and explained in the larger Strategic Directions Paper (GEF/R.4/Inf.8). The focal area has adopted common project indicators during GEF-3 as described in Office of Monitoring and Evaluation working paper #10. The focal area has also spearheaded the subject of integration among focal areas as noted by STAP in its recent reports to Council on the subject of groundwater and has integrated it in the IW targets presented in the attached table.

Tracking Tool

183. The IW task force is currently working on developing a tracking tool for reporting during GEF-4 and for expressing program level indicators. The task force is pursuing the suggestion made by OPS3 that such a set of indicators be based on a roll-up of project level indicators as noted in Office of Monitoring and Evaluation Working Paper # 10. This may be tracked annually through the PIR process. Coping strategies for portfolio management similar to those presented to Council in the 2003 Strategic Priorities Document will be utilized if the reductions in IW allocations associated with Scenarios 1 and 2 are realized.

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

Strategic Objective	Primary Outcome	Scenario 1 \$ 408 million	Scenario 2 \$ 435 million	Scenario 3 \$ 545 million
Objective 1		\$ 200 million	\$ 215 million	\$ 280 million
Catalyze implementation of agreed reforms and on-the-ground stress reduction investments to address transboundary water concerns.	Measurable pollution reduction, water use efficiency improvements, restored/protected wetlands, sustainable fisheries, policy/legal/institutional reforms, and functioning transboundary institutions.	<p>Targets & Indicators</p> <p>By 2010, GEF will have successfully completed 2 Strategic Partnerships reducing pollution of East Asia Large Marine Ecosystems (LMEs) and catalyzing sustainable marine fisheries in Africa LMEs and begun a third one for the Mediterranean Sea LME.</p> <p>By 2010, GEF will have increased by 40% over GEF-3 the number of representative transboundary water bodies for which it catalyzed implementation of on-the-ground stress reduction measures and reforms in agreed management programs.</p>	<p>Targets & Indicators</p> <p>Same as scenario 1</p> <p>A few of the representative water bodies will have reflected the joining of forces among the GEF focal areas for integrated approaches.</p>	<p>Targets & Indicators</p> <p>By 2010, GEF will have successfully completed 3 Strategic Partnerships aimed at reducing pollution of East Asia LMEs, catalyzing sustainable fisheries in Africa LMEs and achieving both for the Mediterranean Sea LME.</p> <p>By 2010, GEF will have increased by about 45 % over GEF-3 the number of water bodies for which implementation was catalyzed with more focus on joining forces with other focal areas for an integrated approach.</p>
Objective 2		\$110 million	\$110 million	\$ 130.5 million
Expand foundational capacity building to a limited number of	Ministerial agreed strategic action programs for improved	<p>Targets & Indicators</p> <p>By 2010, GEF will have increased by one-sixth the global coverage of</p>	<p>Targets & Indicators</p> <p>Same as scenario 1</p>	<p>Targets & Indicators</p> <p>By 2010, GEF will have increased by one-fifth the global coverage of</p>

Strategic Objective	Primary Outcome	Scenario 1 \$ 408 million	Scenario 2 \$ 435 million	Scenario 3 \$ 545 million
new transboundary systems through integrated approaches and foster replication through targeted learning for the IW portfolio.	management of transboundary systems; functioning inter-ministry committees; replication of good practices resulting from targeted learning	representative water bodies (an additional 4-5) with country-driven, science-based joint management programs addressing transboundary aspects of WSSD targets and MDGs over GEF-3; 30% will have been developed through integrated approaches by joining forces with other GEF focal areas		representative water bodies (an additional 8-10 with country-driven science-based joint management programs addressing transboundary aspects of WSSD targets and MDGs over GEF-3; 40% will have been developed through integrated approaches by joining forces with other GEF focal areas.
Objective 3 Undertake innovative demonstrations addressing key program gaps (groundwater, IWRM for balancing competing water uses, persistent toxic substances), with a focus on SIDS water supply protection and IWRM WSSD targets.	Innovative reforms and on-the-ground measures successfully implemented for balancing competing water uses, addressing sewage pollution, protecting SIDS groundwater supplies, and reducing persistent toxic substances	\$ 60 million Targets & Indicators By 2010, 90% of all SIDS will have received GEF support and taken action on at least one transboundary priority concern included in OP 9 as a contribution toward IWRM and WSSD targets. By 2010, GEF will have successfully demonstrated the local feasibility of innovative measures to address 4-5 different global water-related concerns through cross focal area integrated approaches, IWRM, and demos for persistent toxic substances	\$ 60 million Targets & Indicators Same as scenario 1	\$ 80 million Targets and Indicators Same as scenario 1 By 2010, GEF will have successfully demonstrated the local feasibility of innovative measures to address 7-8 different global water-related concerns through cross focal area integrated approaches,

Strategic Objective	Primary Outcome	Scenario 1 \$ 408 million	Scenario 2 \$ 435 million	Scenario 3 \$ 545 million
		(PTS)		IWRM, groundwater and added demos for PTS beyond POPS.
Small Grants Program		US\$ 28.5 million	US\$ 40 million	US\$ 40 million
Cross-cutting Capacity Building		US\$ 5 million	US\$ 5 million	US\$ 8.5 million
LDCs/SIDS Country Program		US\$ 4.5 million	US\$ 5 million	US\$ 6 million

ANNEX 4. LAND DEGRADATION

184. The Second GEF Assembly in Beijing, October 2002, designated land degradation, primarily desertification and deforestation, a focal area of the GEF as a means to support the implementation of the United Nations Convention to Combat Desertification (UNCCD) and to also attend growing international concerns on land based deforestation. This designation made sustainable land management a primary focus of GEF assistance to achieve global environmental benefits within the context of sustainable development.

185. The Millennium Ecosystem Assessment (MEA) has highlighted the unprecedented changes made to the world's ecosystems. In recent decades the growing demands for food, fiber, water, wood and energy have resulted in serious degradation or unsustainable use of most of the ecosystem services. The MEA draws attention to the fact that dry lands are among the regions of the world where ecosystem services are most threatened by human impacts. It also draws attention on the increased tension exerted on wood resources in all ecosystems. Land degradation, which is the major cause of the breakdown of ecosystem integrity (along with fresh water scarcity), affects not only selected ecosystem components or functional cycles and regulating services (such as air quality regulation, climate regulation, water and erosion regulation, disease and pest regulation, natural hazard regulation), but it also triggers destructive processes that can affect the entire biosphere. The MEA forecasts that in the near future increased pressure will continue to be exerted on ecosystem goods and services in all terrestrial biomes through continuous habitat changes (land conversion and use), deforestation and forest degradation, water and fisheries resources overexploitation, biodiversity and groundwater mining and climate change. It calls for a holistic, integrated and systematic approach that includes environmental, social and economic issues to improve policy planning and management, and to influence individual behavior and change economic decision-making.

186. The GEF Operational Program on Sustainable Land Management presents an excellent opportunity for the GEF to strengthen and demonstrate an integrated approach to natural resources management, as it mandate covers all the major land use systems (agriculture, rangeland, and forestry). Global environmental stability and sustainable livelihoods can only be achieved through a holistic approach where different resource users and decision-makers come together to agree on a set of common objectives that maintain the ecological integrity of their resource base land.

Sustainable Land Management in GEF-3

187. The third replenishment of the GEF allocated US\$500 million to support land degradation prevention and control activities. US\$250 million was to be programmed under the land degradation focal area while it was estimated that another US\$250 million would be derived from "land degradation" activities to be financed through the other focal areas. It was expected that the initial allocation to the new focal area would be increase in GEF-4 based on implementation progress and lessons learned in GEF-3.

188. The strategic priorities for GEF-3 were established to allow for the quick development of a portfolio of projects that address urgent concerns of countries to: (a) strengthen their enabling

environment for effective Sustainable land Management (SLM) and (b) build capacity to fulfill their obligations under the United Nations Convention to Combat Desertification, as well the other conventions and international treaties targeting SLM. They focused on: (a) investment on the ground for countries with an advanced enabling environment and adequate absorptive capacity; and (b) targeted capacity building for countries with weak enabling environments and institutional capacities for future investments on the ground.

189. The GEF land degradation program has been under implementation for 23 months but the portfolio is robust and well balanced both regionally and thematically. All GEF-3 resources have been allocated to high quality project proposals representing a broad range of innovative approaches to sustainable land management, including forests. While the majority of the initiatives are based on conventional project approaches, two innovative approaches are being piloted: (a) a country partnership approach which calls for a holistic, comprehensive and sustained support to SLM through long-term planning, predictable financing and capacity building for countries with an adequate enabling environment for SLM; and (b) a portfolio project approach which first focuses on institutional capacity enhancement and improvement of policy environment in countries that lack basic capacities and need a progressive approach to prepare the foundation for larger and sustainable SLM activities.

190. Lessons learned, so far, confirm that: (a) prevention and control are more cost effective than rehabilitation measures; (b) effective strategies for the prevention and control of land degradation (desertification and deforestation) will require an appropriate mix of local management and macro policy approaches; (c) enabling environment and capacity building for SLM are fundamental to achieving positive and lasting results; (d) integrated approaches that are based on stakeholder participation as well as building on established national planning frameworks are likely to assure sustainability of SLM activities; and (e) while crucial in the evolution of dry land areas, land degradation is a global problem affecting all land use systems in all climate zones.

191. In GEF-4, the following key challenges drawn from the lessons learnt and highlighted in the OPS3 report will be addressed: (a) definition of criteria and program/project performance indicators (with a focus on global and incremental benefits at project, national, global levels) as well as a science-based priority setting processes that will help to prioritize funding of scarce resources and ensure the selection, monitoring and evaluation of viable initiatives with desired impact; (b) fostering systematic learning through a well-tailored knowledge management program; (c) finding a mutually beneficial balance of trade-offs between global environmental benefits and sustainable livelihoods while not diverting from the GEF core mandate to protect the global environment; (d) enhancing support to sustainable forest management; and (e) enhancing synergies with other focal areas. Institutionally, the focal area will also continue to be challenged by the management of an ever growing imbalance between demand for and the limited resources allocated to the focal area.

Strategic Considerations and Framework for programming in GEF-4

192. GEF-4 will continue to build on the foundations established by: (a) the overall operational goal of the focal area on land degradation is to catalyze partnerships with other

organizations working on land management issues, land users, and other stakeholders at the local, national, regional, and global levels to provide coordinated financial support to address land degradation in a way that achieves long term global environmental benefits within the context of sustainable development; and (b) mitigation of the causes and negative impacts of desertification and deforestation on the structure and functional integrity of ecosystems through promoting sustainable land management practices as a contribution to improving peoples livelihoods and economic well being.

193. The overwhelming response to the initial support provided under the land degradation operational program, as well as lessons learned from analysis of the portfolio which indicates a sizeable unmet country demand, calls for a GEF-4 strategy that combines and balances “consolidation” (deepening the learning process) and “expansion” (attending to new demands).

194. The core strategy in GEF-4 is fully in line with and contributes to the GEF corporate strategic vision. It is also responsive to and supportive of the OPS3 findings and recommendations. The focal area strategy will be guided by the following four strategic directions:

- (a) mainstreaming of sustainable land management into the production landscape by addressing global environment and sustainable livelihood issues within a holistic development framework;
- (b) creating synergies across GEF focal areas to better address sustainable land management in the context of biodiversity conservation, integrated land and water management, sound chemical management and adaptation to climate change. In this context it would promote a coordinated SLM approach to address some specific transboundary problems such as:
 - (i) transboundary grazing or livestock transhumance regulations and management,
 - (ii) transboundary aquifer recharge and river siltation,
 - (iii) control of transboundary dust storms and bush fires and mitigating their effects on farming systems,
 - (iv) identifying problem areas for intra-regional migrations due to environmental stress or low productivity and developing complementary sustainable land management plans as part of a full response.

195. It will also address some specific cross focal area challenges such as sustainable forest management, adaptation to climate change or transboundary watershed management;

- (c) promoting country programming³⁴ for sustainable land management at country level and building partnerships to support such programs;
- (d) capacity building leading to long-term sustainability (institutional, financial, ecological and socio-economic) and visible impact as key objectives for prevention and control of land degradation;
- (e) enhancing GEF support to the forest sector and sustainable forest management in the wider landscape; and
- (f) mainstreaming climate change adaptation into production sectors.

Proposed Strategic Objectives for GEF-4

196. In line with the above strategic directions, four strategic objectives for GEF-4 have been identified:

- (a) promoting a country partnership framework approach for removing barriers to SLM and foster systemic change,
- (b) upscale successful SLM practices for the control and prevention of desertification and deforestation,
- (c) generating and disseminating knowledge addressing current and emerging issues in SLM to advance the SLM agenda worldwide, and
- (d) promoting cross focal area synergies and integrated approaches to natural resources management to enable countries to better address trade-offs between sustainable livelihood and global environmental benefits as well as to enhance global environmental benefits across focal areas.

197. The four strategic objectives promote operational flexibility and creativity in responding to immediate country-specific needs, as well as the need for long-term country programming based on a partnership approach. It is expected that GEF-4 funding in this focal area will largely target activities that ensure greatest effectiveness and impact of GEF interventions while contributing to the objectives of the UNCCD, CBD, UNFCCC and other relevant international force such as the UNFF. The allocation of the resources will be based on priorities identified in and by the countries and with the objective to ensure cost effectiveness, optimize benefits, and increase impact on the ground. Initiatives that will receive GEF funding will be fully consistent with GEF's core principles on sustainability, incremental costs, replicability, country-ownership and commitment and stakeholder participation. Trade-offs between local livelihood benefits and

³⁴ "Country Programming" means the support for a long-term (up to 10 years), holistic partnership-based process across production sectors anchored in an overall action framework for SLM at the country level what will be promoted by the country as a common framework for actions by relevant national and international stakeholders. Country Programming has nothing in common with budget support of sector ministries in countries. Activities will be implemented in form of projects under the agreed action framework.

global environmental benefits will be kept to a minimum. A conscious effort will be made to pay special attention to specific needs of LDC and SIDS and to forestry related concerns.

Strategic objective 1: Promoting the country partnership approaches for removing barriers to SLM and foster system-wide change in SLM.

198. This objective is intended to synthesize and expand country partnerships for sustainable land management, building on lessons and achievements made during the pilot phase. The goal of the country partnerships for sustainable land management is to assist GEF-eligible countries to develop and implement a holistic, integrated and sustained program address as the root causes of land degradation and mainstreams SLM principles into national priorities and national development frameworks such as National Action Programs to Combat Desertification (NAPs), National Forest Programs and Poverty Reduction Strategies (PRSPs). The partnership framework comprises a package of interventions addressing policy, regulatory and institutional reforms, capacity building, and investments needs, supported through a well coordinated program with predictable financing from a variety of sources, including national budgets, bilateral development cooperation agreements, country assistance programs of multilateral agencies, and private foundations.

199. The introduction of the country programming approach was the result of a thorough analysis of the GEF portfolio and the types of approaches used in projects. The analysis concluded that only the adoption of a more comprehensive, integrated and long-term approach to the management of natural resources would guarantee the sustainability of projects' short-term gains and allow for visible impact on the ground. The analysis of barriers for SLM identified four key issues that need to be addressed to create the enabling environment for managing natural resources for sustainable livelihoods and ecosystem integrity: (a) policy and regulatory environment, (b) institutional capacities, (c) access to knowledge (including technologies) and (d) economic incentive systems for SLM. These key barriers can only be addressed through a programmatic, long-term and partnership-oriented approach.

200. Six country programs for SLM have been initiated on a pilot basis during GEF-3: Namibia, Cuba, Ethiopia, Burkina Faso, Vietnam and Central Asia (5 countries). The process for establishing these programs is closely monitored by the GEF Secretariat and the Implementing and Executing Agencies. Already the process of setting up the individual programs provides good lessons that will be the basis to adapt the partnership principles and application in the future. All six CPPs show different entry points and overall characteristics. While the CPP for Namibia encompasses all land uses and a great spectrum of partners, the CPP for Vietnam will start with an innovative long term sector program on forest management that will later on widen its scope to encompass other land uses such as agriculture and rangeland management. The program will provide an excellent mechanism to harmonize donor cooperation in SLM in targeted countries.

201. In GEF-4, a full evaluation of the six pilots (process and first experiences with the implementation) will be made to help to guide the deepening and expansion of the program during the replenishment period and beyond. A number of countries have already indicated interest to be included in the CPP process (e.g. India, Kenya). During GEF-4, proactive efforts

will be made to use the CPP approach as a vehicle to promote cross-focal area initiatives and enhance the potential for meaningful synergies.

Strategic objective 2: Upscale successful SLM practices for the control and prevention of desertification and deforestation through new operations

202. This strategic objective is to enable the GEF to respond in an appropriate and timely manner to new country requests for GEF projects in sustainable land management. The focus on up-scaling would allow for demonstration of large scale impact of SLM on ecosystems and its functional integrity based on best practices for prevention and control of land degradation initially implemented in GEF-3 or derived from other initiatives. Efforts will also address the challenge of LDCs and SIDS through strong linkages to the UNDP portfolio project for LDC/SIDS on Capacity Building for SLM to be under full implementation in GEF-4. These countries are particularly impacted by deforestation and forest degradation. Special attention will be given to building in projects a research component that will analyze and define the necessary set of conditions for the successful replication and up-scaling beyond the demonstration area. In addition, targeted research projects could strengthen the strategic objective by exploring the transferability of best practices from one geographic region to another or between different climate zones.

Strategic objective 3: Generating and disseminating knowledge addressing current and emerging issues in SLM

203. This objective is to: (a) generate knowledge that would help to lift barriers to SLM, trigger innovation, and understand the underlying factors to successful up scale SLM; and (b) enhance knowledge sharing and scientific and technical cooperation. Efforts under this objective will be cross-cutting in nature and will address knowledge use and generation in the other focal area strategic objectives. The emphasis will be on best practices and new scientific and technically sound knowledge. Information will be made available on sustainable land management in a timely manner to enable a constant cycle of development and cross-fertilization of ideas to improve sustainability and impact of project and programmatic interventions.

Strategic objective 4: Promote cross focal area synergies and integrated approaches to natural resources management

204. There are considerable opportunities to enhance the capture of global environmental benefits across the focal areas of the GEF, namely biodiversity, climate change, international waters, and land degradation (desertification and deforestation).

205. This strategic objective proposes to move beyond promoting integration through a dedicated operational program. When appropriate, projects or programs dealing with natural resources are to be conceived with multi-focal area objectives and should be developed accordingly applying the most appropriate approaches and methods to achieve global environmental benefits.

206. The management approaches to be used will reflect the main entry point for a particular intervention but could include, but not be limited to, integrated water resources management,

integrated natural resources management, the ecosystem approach, the sustainable land management approach, targeting forest, agricultural and rangelands and their interactions. What these approaches share in common is an understanding that sustainable environmental management is intrinsically linked to sustainable livelihoods and requires cross-sectoral collaboration and multi-level interventions. This can be achieved within the project or program context while remaining consistent with the core mandate of the GEF.

207. At the country level, opportunities for integration will be identified by making use of the National Dialogue Initiative and the NCSA process. These GEF outreach activities bring together multiple stakeholder groups and inter-ministerial committees and can therefore serve to foster the collaboration across sectors that will be necessary to identify opportunities within their GEF portfolios for integrated approaches to natural resources management.

208. At the program level, i.e., at the level of coordinated multi-project initiatives such as strategic partnerships and similar efforts, the GEF will pilot initiatives to demonstrate the application of comprehensive integrated natural resource management approaches whereby focal areas will share the overall incremental costs of interventions that bring together two (or more) focal areas to enhance the generation of global environmental benefits. These could include, but not be limited to, the implementation of Strategic Action Programs in International Waters and the country programs and partnerships currently in development in the biodiversity and land degradation focal areas.

Measuring Results of the Land Degradation Portfolio

209. The inter-agency task force on land degradation has established a working group tasked to develop performance and impact indicators of the LD portfolio during GEF-4 and beyond.

210. These indicators will allow GEF Council, the Office of M&E Unit, the Secretariat, Implementing Agencies and Executing Agencies to:

- (a) analyze the impact of the land degradation focal area on the global environmental system; the focus will be on identifying key indicators (indexed or otherwise) that provide the basis for “targets and benchmarks” for an aggregated assessment of the outcomes and impact of individual projects and partnership programs.
- (b) analyze the performance and impact of individual projects and partnership programs, recognizing that each project and partnership program will have its own specific set of indicators, but that a minimum common set would allow portfolio-level aggregation.

211. The indicators will also eventually allow the land degradation task force to conduct cross-project and cross-focal area learning and knowledge management, although this was not included in the scope of the current exercise.

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

Strategic priority	Outcome	Scenario 1 \$308 million	Scenario 2 \$410 million	Scenario 3 \$444 million
I. Promoting the country partnership framework approach for removing barriers to SLM and foster system-wide change.	Countries with enabling environment and investment program to support SLM	<p>\$110 million</p> <p>Targets and Indicators</p> <p>Consolidation of 6 pilot country partnerships started in GEF-3</p> <p>5-6 new country partnerships</p>	<p>\$165 million</p> <p>Targets and Indicators</p> <p>Consolidation of 6 pilot country partnerships started in GEF-3</p> <p>14 new country partnerships (including 3 pilots under TerrAfrica)</p> <p>Number of countries where SLM is mainstreamed</p>	<p>\$175 million</p> <p>Targets and Indicators</p> <p>Consolidation of 6 pilot country partnerships started in GEF-3</p> <p>14 -15 new country partnerships (including 5-6 pilots under TerrAfrica)</p> <p>Number of countries where SLM is mainstreamed</p> <p>Amount of financial resources leveraged for investment</p>
II. Upscale successful SLM practices for the control and prevention of desertification and deforestation through new operations	Country capacity & mechanism in place to allow for successful up-scaling of best practices for the prevention and control of land degradation.	<p>\$80 million</p> <p>Targets and Indicators</p> <p>25 MSPs for community-based initiatives to pilot up-scaling</p> <p>25 FSPs for medium or large scale up-scaling at sub-national or country levels</p>	<p>\$90 million</p> <p>Targets and Indicators</p> <p>30 MSPs for community-based initiatives to pilot up-scaling</p> <p>30 FSPs for medium or large scale up-scaling at sub-national or country levels</p> <p>Capacity barriers lifted in all targeted countries</p>	<p>\$97.5 million</p> <p>Targets and Indicators</p> <p>34 MSPs for community-based initiatives to pilot up-scaling</p> <p>34 FSPs for medium or large scale up-scaling at sub-national or country levels.</p> <p>Capacity barriers lifted in all targeted countries</p> <p>75 % of land targeted are directly</p>

Strategic priority	Outcome	Scenario 1 \$308 million	Scenario 2 \$410 million	Scenario 3 \$444 million
			50 % of land targeted are directly under successful SLM	under successful SLM
III. Generating and disseminating knowledge addressing current and emergent issues in SLM	Scientific-technically sound tools for and knowledge on SLM and dissemination mechanisms in place.	<p>\$20 million</p> <p>Targets and Indicators</p> <p>5 MSPs for targeted research projects</p> <p>6 MSP, 2FSP for dissemination and addressing emerging issues in SLM</p> <p>1 FSP for LD Learn</p>	<p>\$40 million</p> <p>Targets and Indicators</p> <p>7 MSPs for targeted research projects</p> <p>10 MSP, 5FSP for dissemination and addressing emerging issues in SLM</p> <p>1 FSP for LD Learn</p> <p>Increased number of innovative knowledge products</p>	<p>\$50 million</p> <p>Targets and Indicators</p> <p>7 MSPs for targeted research projects</p> <p>12 MSP, 9FSP for dissemination and addressing emerging issues in SLM</p> <p>1 FSP for LD Learn</p> <p>Increased number of innovative knowledge products and adoption</p> <p>Increased number of people trained or exposed to knowledge products</p>
IV. Promote cross focal area synergies and integrated approaches to natural resources management (Note: This SP will go across all GEF Focal Areas. The Targets & Indicators mentioned refer to the contribution by the FA LD.)	Countries enabled to address trade-offs between sustainable livelihood and global environmental benefits and foster synergies between global environmental objectives	<p>\$60 million</p> <p>Targets and Indicators</p> <p>\$30 million (5 MSP, 5 FSP) for addressing synergies at FA program level (e.g. projects that address key priority areas in Strategic Action Programs promoted in FA IW; land degradation identified as threat to biodiversity conservation; natural resources</p>	<p>\$65 million</p> <p>Targets and Indicators</p> <p>\$35 million (7 MSP, 7 FSP) for addressing synergies at FA program level (e.g. projects that address key priority areas in Strategic Action Programs promoted in FA IW; land degradation identified as threat to biodiversity conservation; natural resources</p>	<p>\$70 million</p> <p>Targets and Indicators</p> <p>\$40 million (7 MSP, 7 FSP) for addressing synergies at FA program level (e.g. projects that address key priority areas in Strategic Action Programs promoted in FA IW; land degradation identified as threat to biodiversity conservation; natural resources management issues in biomass or renewable energy projects)</p>

Strategic priority	Outcome	Scenario 1 \$308 million	Scenario 2 \$410 million	Scenario 3 \$444 million
		<p>management issues in biomass or renewable energy projects)</p> <p>\$30 million (FA contribution for projects with shared incremental costs) for initiatives that promote an integrated approach to NRM and multiple global environmental benefits (purpose of OP12)</p> <p>Coverage limited to SSA and LAC</p>	<p>management issues in biomass or renewable energy projects)</p> <p>\$30 million (FA contribution for projects with shared incremental costs) for initiatives that promote an integrated approach to NRM and multiple global environmental benefits (purpose of OP12)</p> <p>Expand coverage to include Asia</p>	<p>\$30 million (FA contribution for projects with shared incremental costs) for initiatives that promote an integrated approach to NRM and multiple global environmental benefits (purpose of OP12)</p> <p>Global coverage</p>
V. Small Grants Program*		\$ 28.5 million	\$ 40 million	\$ 40 million
VI. Cross-cutting Capacity Building*		\$ 5 million	\$ 5 million	\$ 5.5 million
VII. LDCs/SIDS Country Programs*		\$ 4.5 million	\$ 5 million	\$ 6 million

ANNEX 5. OZONE DEPLETING SUBSTANCES

212. Scientific concerns about the depleting effects of halocarbons on the ozone layer in the 1970s were followed by the discovery of the “hole” in the ozone layer over the Antarctic in the 1980s. The international community realized that increased UV-B radiation reaching the earth posed risks to human health (e.g. skin cancers, eye cataracts, weakened immune systems) and the environment (affecting for example plant yields or fisheries). In response, countries negotiated and adopted the Vienna Convention for the Protection of the Ozone Layer in 1985 and the Montreal Protocol on Substances that Deplete the Ozone Layer in 1987.

213. As a result of the implementation of the Montreal Protocol, total consumption of ODS has dropped by more than 90%, to be compared with the steady growth that would have occurred otherwise. This has prevented an estimated doubling of the UV-B radiation reaching the earth in the northern mid latitudes by the year 2050. Further efforts are required and underway to address other substances with comparatively large ozone depletion potential, in particular Methyl bromide (MeBr) and Hydrochlorofluorocarbons (HCFCs).

The Montreal Protocol on Substances that Deplete the Ozone Layer

214. The 1995 GEF Operational Strategy provides that “although the GEF is not linked formally to the Montreal Protocol, the GEF Operational Strategy in Ozone Depletion is an operational response to the Montreal Protocol, its amendments, and adjustments”. Therefore, the GEF has financed activities to assist eligible countries with economies in transition that are not eligible for funding under the Multilateral Fund of the Montreal Protocol in controlling the substances targeted under the Protocol, including in meeting consumption and production phase out schedules and other control measures. The operational strategy further notes that, “to the extent consistent with other GEF policies [...] GEF operational policies for financing activities in this focal area will also be consistent with those of the Multilateral Fund.”

215. As a result, the GEF has assisted eighteen countries with economies in transition to meet their obligations under annexes A and B of the Montreal Protocol (addressing CFCs and Halons). The Second Overall Performance Study of the GEF (OPS2, 2002) found that “(i) the GEF has been responsive and supportive of the Montreal Protocol, (ii) the impact of the GEF has been significant in helping to achieve meaningful reductions in ODS, and (iii) the GEF has helped materially in assisting countries with economies in transition to meet their obligations under the Montreal Protocol.” The Third Overall Performance Study further notes the “key role” that the GEF has played in extending the success of ODS phase-out to the CEITs.

GEF ODS Strategy

216. In the Ozone Layer Depletion focal area, the GEF’s overall objective is to prevent releases of ODS in order to protect human health and the environment from depletion of the ozone layer.

Strategic objectives in GEF-3

217. Following the business plan and strategic directions for ODS, the GEF's efforts under GEF-3 have been principally focused on helping non-Annex 5 GEF eligible countries to meet their phase-out obligations regarding the Annex E substance, methyl bromide, to enable compliance with the 2005 total phase-out deadline.

218. Regarding HCFCs, no investments were required under GEF-3 as all GEF eligible countries were still in compliance with the HCFC phase out schedule. An assessment of the most effective ways to address HCFC reduction schedules in eligible recipient countries over the medium to long term is under preparation. This assessment should pave the way for investments in future phases of the GEF, and would include considerations of the broader chemicals agenda and how best to build and maximize the use of country capacities. Coordination between chemicals-related focal areas and the implications of the work under development in the framework of the Strategic Approach to International Chemicals Management will also be relevant considerations.

219. Finally, concerns have been raised in the Implementation Committee and Meeting of the Parties to the Montreal Protocol regarding the difficulty of a number of countries with economies in transition to both meet their reporting obligations and to phase out residual amounts of CFCs. In response, GEF has mobilized modest resources under GEF-3 to support capacity building, including institutional strengthening, in those countries most in need.

Proposed Strategic Objective in GEF-4: Addressing HCFCs, residual use of MeBr, and Institutional Strengthening and other non-investment activities

220. On the basis of the most recent data available from the Ozone Secretariat, a limited number of GEF-eligible countries with economies in transition will require GEF support to meet the target of 65% HCFC consumption phase out by 2010. Cost-effectiveness considerations suggest that interventions be supported that address the total amount of HCFC consumption in these countries, to the extent possible. These interventions will notably provide valuable lessons for the other countries that will be facing similar phase-out needs in the future. As the international community has limited experience with phasing-out HCFCs in developing countries or countries with economies in transition, GEF will maintain consultation and cooperation with the Ozone Secretariat and the Multilateral Fund Secretariat on these issues.

221. In addition, modest resources are set aside to cover the small amounts of reported MeBr consumption not addressed through the recently approved on-going projects. Finally, further institutional strengthening and other non-investment activities (awareness raising, training etc) would be supported, building on the capacities and networks created to date, particularly to assist the least developed of the CEITs in meeting their reporting obligations.

Measuring results of the Focal Area Portfolio

222. The main indicator to measure and aggregate results in the Ozone Depletion focal area remains the reporting by each project on the ozone depletion potential–adjusted tons of chemicals phased out from consumption or production.

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

Strategic Objective	Outcome	Scenarios 1, 2 and 3 \$ 50 million
Addressing HCFCs, residual use of MeBr, and Institutional Strengthening and other non-investment activities	Phase out of HCFCs, MeBr, and strengthened capacity for compliance enforcement and reporting	Targets and Indicators ODP adjusted tons of HCFCs and MeBr phased-out

ANNEX 6. PERSISTENT ORGANIC POLLUTANTS (POPs)

223. Mounting evidence of damage to human health and the environment has focused the attention of the international community on Persistent Organic Pollutants (POPs). POPs are pesticides, industrial chemicals or unwanted by-products of industrial processes or combustion. They are characterized by persistence, the ability to resist degradation in various media (air, water, sediments, and organisms); bio-accumulation, the ability to accumulate in living tissues at levels higher than those in the surrounding environment; and potential for long range transport, the capacity to travel great distances from the source of release through various media (air, water, and migratory species). Because of these properties, POPs are found throughout the world, including in areas far from their original source. Their effects on humans and animals include disruption of the endocrine system, suppression of the immune system, reproductive dysfunction, and developmental abnormalities.

224. Although most of these substances have been banned and are being phased-out in OECD countries, the situation in developing countries, and particularly in Least Developed Countries, is one characterized in many instances by inadequate legislative and regulatory frameworks coupled with near absence of capacity for enforcement and lack of awareness of the hazards associated with exposure to POPs. Few developing countries, for example, have legislation addressing industrial chemicals, let alone PCBs. As a result, the limited local capacity leads to regional and ultimately global contamination of the environment by POPs, and damage to the health and well-being of human populations. The poor in particular are at greatest risk.

Guidance from the Stockholm Convention on POPs

225. The realization that global efforts were required to address the threats POPs pose to people and the environment led to the adoption of the Stockholm Convention on Persistent Organic Pollutants in May 2001, which designates the GEF as the principal entity entrusted with the operations of the financial mechanism of the Convention, ad interim. The Convention entered into force on May 17, 2004.

226. The Convention's objective is to protect human health and the environment from POPs through the elimination or restriction of production and use of all intentionally produced POPs (industrial chemicals and pesticides), the continuous minimization of unintentionally produced POPs (e.g. dioxins and furans), and the cleaning-up of wastes and contaminated products.

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

228. In response to the views of the negotiators of the Convention expressed earlier or through resolutions of the Conference of Plenipotentiaries (that adopted the Convention) and through further decisions of the Intergovernmental Negotiating Committee, the GEF has:

- (a) established POPs as a focal area (adopted by the GEF Assembly in October 2002);
- (b) adopted guidelines for POPs enabling activities;
- (c) developed a draft operational program and strategic framework for implementation;
- (d) adopted expedited processing for enabling activities proposals; and
- (e) enhanced delivery capacity through expanding opportunities to FAO and UNIDO for the POPs focal area.

GEF POPs Strategy

229. The GEF's overall objective in the POPs focal area is to assist countries to reduce and eliminate releases of POPs in order to protect human health and the environment. This objective will be advanced in the GEF-4 period through:

- (a) continuing the GEF's National Implementation Plan (NIP) Program;
- (b) strengthening national capacities for NIP implementation, including assisting those countries that lag farthest behind to establish basic, foundational capacities for sound management of chemicals;
- (c) partnering in investments needed for NIP implementation to achieve impacts in POPs reduction; and
- (d) partnering in the demonstration of feasible, innovative technologies and practices for POPs reduction.

230. GEF interventions will build the capacity of recipient countries to manage POPs and to implement their obligations under the Stockholm Convention. Where ever possible and appropriate, this will be completed in the framework of a country's capacity for sound management of chemicals, seeking synergies and coordination with the activities of other global and regional chemicals-related conventions and agreements.

231. In response to convention guidance, the GEF has adopted the National Implementation Plan as the basis for intervention and for establishing national funding priorities. The NIP provides a framework for a country to develop and implement priority policy and regulatory reforms, capacity building, and investment programs for POPs reduction, in a systematic yet participatory way. To the extent possible, given the need for some flexibility, NIPs will form the basis for country-level GEF support.

232. Particularly crucial as the focal area is still in development is the importance placed on the dissemination of lessons learned, replicability, sustainability and cost-effectiveness. Mechanisms for lessons learned and promotion of replication should be included in project design where appropriate. In addition, the unit cost of POPs destruction or avoided releases

should be recorded as a tool to facilitate benchmarking, and sustainable long-term POPs reduction should be achieved through GEF projects. Where the intent of the intervention is POPs disposal, sustainability should be ensured through associated measures that prevent the problem from reoccurring.

Strategic priorities in GEF-3

233. The GEF-3 strategic priorities for the POPs focal area are:

- (a) capacity building for the development of NIPs, awareness raising, and dissemination of best practices;
- (b) implementation of policy/regulatory reforms and investments that emerge as priorities from NIPs or other priority setting exercises; and
- (c) demonstration and promotion of innovative and cost-effective technologies and practices for disposal of products, phase-out of PCBs, alternatives to DDT, and alternatives to other POPs.

234. The bulk of the efforts under GEF-3 have been dedicated to preparing the ground for convention implementation through the systematic support to the development of NIPs. As a result, as of 15 January 2005, 119 country proposals for NIP enabling activities had been approved. In addition, projects anticipating NIP priorities have been developed and funded (for example to phase-out PCBs or destroy pesticides wastes), as well as projects that demonstrate alternatives to DDT for vector control, alternatives for termite control, and POPs destruction technologies.

Proposed GEF strategic objectives in GEF-4

235. A large number of GEF eligible countries are finalizing their NIPs and are thus expected to request increased resources for NIP implementation. Therefore, although the fundamental approach and strategic objectives of the GEF remain unchanged, activities under GEF-4 will be characterized by a shift from preparation to implementation.

236. In order to more precisely describe the portfolio, the GEF-3 strategic objective of “NIP implementation” will be divided into a strategic objective for “capacity-building for NIP implementation” and a strategic objective for “investments for NIP implementation”. However, there will be many cases where one project will address both objectives.

Strategic objective 1: NIP Program and dissemination of best practices

237. Under this strategic objective, the GEF will support eligible countries in meeting their reporting obligations under the Stockholm Convention, and will support the generation and dissemination of best practices for POPs management. In particular, the objective includes the POPs enabling activities program to assist the relatively few eligible countries which have not yet received GEF financing to prepare a NIP.

238. In addition, following COP guidance, it is expected that some of the existing NIPs will have to be reviewed and updated during the replenishment period. Support will also be provided to activities aimed at raising awareness among various stakeholders and managing and disseminating experiences and lessons learned at the portfolio level, both in developing a NIP and in documenting best practices for implementation.

Strategic objective 2: Strengthening capacity for NIP implementation

239. GEF support will strengthen and build the capacity required in eligible countries to implement their NIPs, while encouraging coordination and synergies with countries' responses to related multilateral environmental agreements addressing chemicals issues. This objective will include assisting those countries that lag the farthest behind to establish basic foundational capacities for the sound management of chemicals. Depending on NIP priorities, interventions can include strengthening regulatory frameworks, strengthening of human and institutional capacity, and strengthening of monitoring and enforcement capacity.

Strategic objective 3: Partnering in investments for NIP implementation

240. Under this objective, the GEF will partner in investments needed for NIP implementation to achieve impacts in POPs reduction and reduce the stress on human health and the environment caused by POPs. Projects will seek the reduction of POPs releases through phase-out, destruction, use of alternatives, and application of Best Available Techniques/Best Environmental Practices. The precise nature of these interventions will be defined by the NIP, and could include for example: the identification, labeling, removing from use and disposal of PCBs; the use of non-POPs alternatives for disease vector or termite control; and the destruction of POPs wastes and prevention of stockpiling. This strategic objective is particularly emphasized under funding scenarios 2 and 3.

241. Under funding scenario 3, limited resources would be available to promoting integration with other focal areas, by targeting specific geographical areas where the driver for POPs reduction is a threat to a particular ecosystem, in the framework of a wider GEF supported effort.

Strategic objective 4: Partnering in the demonstration of feasible, innovative technologies and practices for POPs reduction

242. Under this strategic objective, GEF will support projects consistent with the Stockholm Convention's requirements to pursue alternatives to POPs, and the substitution of materials and processes that do not lead to POPs formation. In reaching this objective, particular emphasis will be placed on the promotion of replication and wide dissemination of project outcomes.

243. Depending upon countries' priorities as identified in their NIPs, examples of interventions include demonstration of BAT/BEP in various sectors, demonstration of alternatives to POPs and other toxic pesticides for pest management, and addressing the lack of capacity for POPs destruction in GEF recipient countries. Targeted research, where appropriate, would also fall under this objective.

Measuring Results of the Focal Area Portfolio

244. Indicators are being developed which will allow tracking and reporting on results and impact at the portfolio level through aggregation of project level outcome indicators. The indicators envisioned encompass enabling environment indicators (e.g. regulatory framework in place, or increased capacity for enforcement) and stress reduction indicators (e.g. number and unit cost of tons of PCB destroyed, or amount and unit cost of avoided emissions of by-products). Environmental impacts will be assessed in the framework of the overall evaluation of the effectiveness of the Convention.

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

Strategic Objective	Outcome	Scenario 1 \$308 million	Scenario 2 \$410 million	Scenario 3 \$444 million
I. NIP Program and dissemination of best practices	Eligible countries are meeting their reporting obligations under the Stockholm Convention, and lessons learnt and best practices are taken-up	\$30 million Targets and Indicators - 8 countries receive support for NIP development - 50 countries receive support to update their NIPs - Projects to consolidate and disseminate lessons learned are developed	\$30 million Targets and Indicators Same as scenario 1	\$30 million Targets and Indicators Same as scenario 1
II. Strengthening capacity for NIP implementation	Recipient countries have the capacity to implement POPs risk reduction measures	\$90 million Targets and Indicators -45 countries receive support to strengthen capacity for POPs management	\$100 million Targets and Indicators -50 countries receive support to strengthen capacity for POPs management	\$100 million Targets and Indicators - 50 countries receive support to strengthen capacity for POPs management
III. Partnering in investments for NIP implementation	Stress from POPs on human health and the environment is reduced	\$111 million Targets and Indicators -19 countries receive support to either phase-out and destroy PCBs; phase out POPs pesticides; apply BAT/BEP; or destroy obsolete stocks of POPs pesticides	\$185 million Targets and Indicators -31 countries receive support to either phase-out and destroy PCBs; phase out POPs pesticides; apply BAT/BEP; or destroy obsolete stocks of POPs pesticides	\$211 million Targets and Indicators - 33 countries receive support to either phase-out and destroy PCBs; phase out POPs pesticides; apply BAT/BEP; or destroy obsolete stocks of POPs pesticides - 3 water bodies or terrestrial ecosystems receive support for POPs reduction measures (integration)

IV. Partnering in demonstration of innovative technologies and practices for POPs reduction	Effective alternative technologies and practices that avoid POPs releases are demonstrated	\$40 million Targets and Indicators -6 alternative technologies/ sets of practices demonstrated	\$45 million Targets and Indicators -7 alternative technologies/ sets of practices demonstrated	\$50 million Targets and Indicators - 8 alternative technologies/ sets of practices demonstrated
V. Small Grants Program*		\$ 28 million	\$ 40 million	\$ 40 million
VI. Cross-cutting Capacity Building*		\$ 5 million	\$ 5 million	\$ 8 million
VII. LDC/SIDS Country Program*		\$ 4 million	\$ 5 million	\$ 5 million

ANNEX 7. CORPORATE PROGRAMS

245. Corporate Programs consists of two components: a core component for which a stand alone budget is identified to finance two programs, Support to National Focal Points and Council Members and the National Dialogue Initiative; and a second component, “other corporate programs” which are financed by means of roughly pro rata contributions from the focal areas. The programs financed this way are the Small Grants Program, cross-cutting capacity building, and the LDC/SIDS support program.

Core Programs

Support to National Focal Points and Council Members

246. In response to the findings of the Overall Performance Study of the GEF and the New Delhi Statement of the first GEF Assembly, the Council approved a program of support to Council Members and focal points in May 1999³⁵. The program was designed to provide financing for services to help the GEF national focal points and Council Members in recipient countries carry out their roles and responsibilities more effectively and raise awareness of the goals and opportunities offered by the GEF.

Guidance from the Council

247. At the Council meeting in May 2003³⁶, the Council agreed to continue the focal point support program pending a review of the program by the Council and a decision as to a means to continue strengthening focal points as agreed at the second GEF Assembly. In addition, the Council authorized an independent evaluation of the program to provide information that would assist it in considering whether and how it should be extended in the future.

248. The report³⁷ of the independent evaluation of the GEF Council Member and Focal Point Support Program concluded that “the GEF Focal Point and Council Member Support Program contributed to improved communication, increased awareness and better coordination with program stakeholders and has facilitated more interaction with governmental and private stakeholders. The support program has also provided a useful vehicle for collaboration between the GEF Secretariat, the Implementing Agencies and the focal points and Council Members”.

GEF-3

249. Coordinated by the GEF Secretariat and administered by the UNDP and the World Bank through their field offices, the program has been implemented in 119 countries to date. As of May 2005, the program has expended \$1,652,360 of the \$2,162,900 allocated for its implementation. Activities funded by the program included organization of stakeholder consultations, dissemination of GEF documents, accessing GEF information through the

³⁵ GEF/C.23/12

³⁶ GEF/C.12/3

³⁷ GEF/C.21/7

electronic network or a field office reference library and organizing country and constituency level governmental coordination.

GEF-4

250. GEF will continue to provide support to GEF focal points to ensure that they become more effective agents for integrating GEF activities into their national sustainable development framework so that projects achieve positive global environmental results and impacts while strongly supporting country development policies. It is also anticipated that the program will evolve over the next four years towards a more focused program that can be mainstreamed into capacity building activities within each country. In view of the low capacity in LDCs and SIDS, special attention will be provided to this group.

251. OPS3 repeatedly recommended that the GEF move towards a stronger country program focus that recognizes the need for and emphasizes local capacity, partnership as well as planning and development of clear country strategies and priorities that is linked through dialogue with country priorities. With enhanced GEF support, focal points and Council Members will be able to play a more proactive role at the country and constituency level.

National Dialogue Initiative

252. The GEF Country Dialogue Workshops project was approved in November, 1998³⁸, by the GEF Council. It provided financing for up to 50 country dialogue workshops to build country coordination and capacity and to promote awareness-building by means of country level participatory workshops.

253. OPS3 requested that the NDI be strengthened to ensure that GEF projects and activities are truly country driven and especially recommended to expand the NDI in SID and LDCs.

GEF-3

254. Building upon the lessons learnt from the Country Dialogue Workshop the GEF National Consultative Dialogue Initiative was approved by Council in May 2003³⁹. It seeks to (i) promote in-depth understanding of the GEF's strategic directions, policies and procedures; (ii) strengthen country coordination and ownership in GEF operations and share lessons learned from project implementation; and (iii) achieve greater mainstreaming of GEF activities into national planning frameworks (such as national sustainable development strategies and poverty reduction strategies) and greater coordination and synergies amongst the GEF focal areas. National multistakeholder dialogue workshops have been held in 15 countries to date and an additional 22 national dialogues are currently scheduled through July 2006.

³⁸ GEF/C.12/3

³⁹ GEF/C.21/7

GEF-4

255. In GEF-4, national dialogue workshops will continue to evolve drawing upon the lessons learned from previous workshops and responding to the wide-ranging needs expressed by GEF stakeholders. To date, countries have requested GEF support to host national dialogues and workshops focusing on a wide variety of GEF issues such as national GEF policy (e.g., mainstreaming, coordination), awareness raising, training, and partnership building (e.g., private sector, donor community, civil society). Depending upon the expressed scope of the dialogue or workshop, target audiences will vary considerably in both scope and size, ranging from small targeted groups of less than twenty to broader groups of 100 or more stakeholders. In order to provide the flexibility to effectively and efficiently respond to a wide variety of needs unique to each participating country and increasing demand, the GEF will request funds to continue to support countries in GEF-4 once the current project is completed.

Other Corporate Programs

The Small Grants Programme

256. The GEF Small Grants Programme (SGP) launched in 1992, has funded almost 6,000 projects worldwide. These projects are managed by community-based organizations (CBOs) and non-governmental organizations (NGOs) in 92 developing countries. SGP has operated in a decentralized, transparent, and country-driven manner, leaving decision making to multi-stakeholder national-level steering committees.

257. OPS3 found that the SGP is well received by recipient countries and increases the visibility of the GEF. The report states that the SGP remains one of the most appreciated programs of the GEF, and that it effectively responds to country priorities at the local level. The small grants program has become a GEF flag-ship in developing capacity of the civil society, continuously improving upon ways to be more effective and amplify its impact. The program has paid special attention to local and indigenous communities and gender concerns, and it aims for the replication and sustainability of its initiatives.

258. Resources for the Small Grants Program and Cross-cutting Capacity Building activities (including the LDC and SIDS country programs) are derived from allocations drawn from the other GEF focal areas. In the biodiversity and climate change focal areas, these shares amount to 5 percent of the total resources available in the focal area, made available as exclusions from the GEF Resource Allocation Framework. Additional resources are drawn from the overall allocations to the international waters, land degradation and POPs focal areas.

Guidance from the Council

259. Recognizing its success, the GEF Council authorized SGP to expand at an accelerated pace, increasing the number of new countries incorporated annually from five to ten, and giving priority to LDCs and SIDS in this expansion. The importance of this expansion was noted and welcomed by the CBD COP6 in its decision VI/1722.⁴⁰ Furthermore, OPS3 found that the

⁴⁰ <http://www.biodiv.org/decisions/default.aspx?m=COP-06&id=7191&lg=0>

flexibility of the SGP has allowed for innovative thinking and design of activities to meet country needs and capacities in LDCs and SIDS, and the report recommends that the SGP be made available to other developing countries, in particular to LDCs and SIDS.

260. A major recommendation of OPS3 was that the GEF should build on the findings of the Third Independent Evaluation of the SGP and the report recommended additional resources to be allocated to the SGP and to the new focal areas of land degradation and POPs focal areas as well as the adaptation strategic priority.

GEF-3

261. During GEF-3 the number of SGP participating countries had grown to 73 plus adding another 10 in the final phase. The principal OPS2 objectives – strategic refocusing of the program, mobilization of co-financing, stronger and systematic monitoring and evaluation, linkages with larger GEF projects, outreach and communications strategy – were successfully met. This has meant noticeable overall improvement in SGP operations at the global, country, and local levels; grant-making that clearly responds to the GEF strategy and criteria; meeting co-financing targets for OPS2 thus far; and leveraging of impact through replication, mainstreaming in UNDP and GEF, and influencing government and donor environmental policies and programs.

GEF-4

262. The trend of strengthening the SGP will continue by introducing two new focal areas (land degradation and POPs) and increasing global reach in response to the OPS3 recommendation to allocate increased resources to SGP.⁴¹

263. A study of 128 SGP projects has been completed, and analysis of the results of the study will be used to improve the design of SGP projects and the monitoring and evaluation process.

264. The building of capacity within civil society will continue to remain an important element of GEF support through the SGP. SGP will focus on achieving the following principal outcomes:

- (a) increasing its global reach, especially to address global environmental problems in vulnerable countries;
- (b) implementation of well-designed project portfolios that also incorporate new GEF focal areas and themes;
- (c) strengthening of existing country programs for greater impact and as a base for expansion;

⁴¹ The OPS 3 recommendation was based on the Third Evaluation of the SGP which was conducted for the GEF-2 period (1999-2002). This recommendation has already been implemented in GEF-3 by a near doubling of the resources for SGP.

- (d) demonstration of SGP's local and global benefits and application of lessons learned and good practices;
- (e) enhancing the longer-run sustainability of SGP-funded programs and projects;
- (f) fuller realization of SGP's potential as a GEF corporate program through closer working relationships with GEF Implementing Agencies (IAs); and
- (g) adoption of a graduation policy that would enable the program to spread its reach to countries those have yet to benefit from a SGP.

Cross cutting capacity building and LDCs/SIDS Country Program

265. Weak capacity in several developing countries has limited the success of GEF's efforts to promote global environmental benefits. Historically, the GEF has channeled its capacity development efforts through the enabling activities for the global conventions and capacity building components embedded in investment projects. With the new strategy approved by Council, capacity building is now being addressed in a more comprehensive and structured way. The *Strategic Approach to Enhance Capacity Building* will not only promote the coordination of enabling activities and capacity building, but help to lay the foundation for the creation of synergies between environmental and national sustainable development activities. This is essential if the GEF is to deepen and enhance capacity building interventions to prevent stagnation or decline in capacity of countries to protect the environment and promote sustainable development.

266. Participants of the third GEF replenishment process recommended that the GEF Secretariat and Implementing Agencies propose means to rationalize and coordinate activities in the field of enabling activities and capacity building to achieve effectiveness and efficiency.

267. The Second GEF Assembly recommended that capacity building in recipient countries should be identified and addressed in a systematic manner, with medium sized projects playing an important role in capacity building, particularly in Least Developed Countries (LDCs) and Small Island Developing States (SIDS). The decision also called for the GEF to foster synergies among global environmental conventions through capacity building activities and to achieve effectiveness, efficiency and better mainstreaming of global environmental issues within the sustainable development agenda.

268. The WSSD also reconfirmed in October 2002 the priority of building capacity to assist developing countries to obtain their sustainable development goals.

269. A major recommendation of OPS3 stated that, "The GEF should move toward a stronger country program focus that recognizes the need for and emphasizes local capacity." The OPS3 report also concluded that institutional capacity in LDCs and SIDS, and to a lesser extent, in less developed CEITs, remains largely inadequate to pursue GEF opportunities and fulfill GEF obligations.

270. The OPS3 stated that the vast majority of GEF projects in SIDS had enabling activities, focusing primarily on fulfilling international reporting requirements without much follow-on implementation. The recommendation specifically asked for project modalities that provide smaller levels of funding requiring less reporting/administrative burdens.

Convention Guidance

271. Throughout the past decade, guidance from the Convention on Biological Diversity and UNFCCC to the GEF has requested funding for country-driven capacity-building activities, particularly LDCs and SIDS. Within the deliberations of the UNCCD as well as the Stockholm Convention, capacity building to assist countries to meet the objectives of the Conventions has been strongly emphasized.

GEF Strategy on Capacity Building – Strategic priorities in GEF-3

272. Based on the recommendations of the Capacity Development Initiative (CDI) the GEF Council approved in November 2003⁴² the *Strategic Approach to Enhance Capacity Building*. The strategic approach outlined four pathways for enhanced GEF capacity building support.

273. The first pathway, which calls for support to countries to undertake a National Capacity Needs Self Assessments (NCSAs), became operational in GEF-3. Currently, slightly more than 140 countries have received GEF funding to conduct self assessments (NCSAs) and a few reports are now being completed. The majority of them are expected to conclude their work by end of 2005 and early 2006. The NCSAs identify and prioritize capacity needs that are specific to a particular area or those that address more than one focal area (crosscutting capacity building). To assist the countries, GEF has also funded a technical support program which is jointly implemented by UNDP and UNEP.

GEF Strategic objectives in GEF-4

274. The objective in GEF-4 will be to recognize and strengthen the interrelationships amongst capacity, global environmental impacts and performance across the GEF focal areas. The GEF will develop and assess the capacity of institutions that are fundamental to providing global environmental benefits on a sustainable basis. A strategic capacity building indicator will be incorporated into such projects to measure progress.

275. The GEF will, in particular, seek to develop capacity of sectoral ministries to integrate global environmental benefits by anchoring capacity building in programs and projects contributing to sustainable development. This will be done by operationalizing the pathways provided in the *Strategic Approach to Enhance Capacity Building* to provide assistance for

⁴² GEF/C.22/8

capacity building approaches geared to achieving and mainstreaming global environmental benefits.⁴³

276. Financing for two of the pathways (embedding capacity building elements within the GEF projects and filling strategic gaps by supporting targeted focal area capacity building projects) will be funded through the resources programmed for the focal areas. This will be the main pathway for capacity building efforts. Indicators will be incorporated in project proposals that will allow for tracking of capacity building outcomes.

277. OPS3 also concluded that institutional capacity in LDCs and SIDS, and to a lesser extent, in less developed CEITs, remains largely inadequate to pursue GEF opportunities and fulfill GEF obligations. The recommendation specifically asked for project modalities that provide smaller levels of funding requiring less reporting/administrative burdens.

278. Taking into account the recommendations of OPS3, it is expected that GEF-4 financing will be available for critical cross-cutting capacity building projects identified in the NCSAs and for initiating country programs for LDCs and SIDS. These cross cutting activities are foreseen in the Strategic Approach. For LDCs and SIDS, the Strategic Approach calls for country programs modeled on the modalities of the Small Grants Program. A country program will provide limited financing at the country level that would be managed through a multistakeholder decision making process so as to provide flexibility and agility to the countries to agree on small amounts of targeted assistance to remove bottlenecks at the country level that inhibit good management of global environmental issues. The OPS3 specifically asked for a flexible approach when approving funding to SIDS and LDCs in recognition of their weak capacity.

279. Financing priorities for cross cutting capacity building are to be based those identified priority needs highlighted through an NCSA or similar exercises.

⁴³ The three pathways are: to strengthen capacity building components in larger GEF projects; targeted capacity building projects in focal areas; and targeted crosscutting capacity building projects, including country-based cross-cutting capacity building programs for LDCs/SIDS. See GEF/C. 22/8

Expected Outcomes and Targets in GEF-4 by Strategic Objectives: Corporate Programs

Pathways	Primary Outcome	Scenario 1	Scenario 2	Scenario 3
A - Core Corporate Programs		\$ 14 million	\$ 15 million	\$ 17 million
<p>I-Support to National Focal Points and Council Members</p> <p>OPS3: GEF to strengthen its role as Network Administrative Office by formalizing communication with all its network partners, including country partner capacity, outreach. Strengthening of country focal points is crucial to enhance political will through country ownership.</p>	Augmented capacity of GEF Focal points in recipient countries	<p>\$7 million</p> <p>Targets & Indicators</p> <p>Support to 120 National GEF Focal Points and Council Members in recipient countries to strengthen coordination and enhance capacity of countries to develop and implement GEF projects.</p>		<p>\$8 million</p> <p>Targets & Indicators</p> <p>Support to 140 National GEF Focal Points and Council Members in recipient countries to strengthen coordination and enhance capacity of countries to develop and implement GEF projects.</p>
<p>II-Multi-stakeholder Participatory Dialogues</p> <p>OPS3: It specifically asked to provide support through NDI to facilitate dialogue between government and NGO actors to strengthen country ownership and prioritization.</p>	Improved understanding by stakeholders of the GEF's strategic directions, policies and procedures; strengthened country coordination in GEF operations including greater coordination amongst GEF focal areas; mainstreaming of GEF activities into national planning frameworks	<p>\$7 million</p> <p>Targets & Indicators</p> <p>Up to 64 multi-stakeholder consultations benefiting 64 countries involving approximately 4500 participants.</p>	<p>\$ 8 million</p> <p>Targets & Indicators</p> <p>Up to 64 multi-stakeholder consultations benefiting 64 countries involving approximately 4500 participants.</p>	<p>\$9 million</p> <p>Targets & Indicators</p> <p>Up to 88 multi-stakeholder consultations benefiting 100 countries involving approximately 6000 participants.</p>
B - Other Corporate Programs in		\$ 204 million	\$ 244 million	\$ 266 million

Pathways	Primary Outcome	Scenario 1	Scenario 2	Scenario 3
anticipation of focal area resources				
<p>III-Small Grants Program</p> <p>OPS3: Additional resources to be allocated to SGP, include land degradation, POPs and adaptation and expand the program to LDCs and SIDS</p>	Increased capacity of civil society to contribute in global environmental management at the national level	<p>\$149 million</p> <p>Targets & Indicators Program spread over 93 countries, inclusion of two new focal areas (Land Degradation and Persistent Organic Pollutants), co-financing raised to 70% of GEF contribution and demonstration of global environmental benefits.</p>	<p>\$ 184 million</p> <p>Targets and Indicators Program spread over 100 countries, inclusion of two new focal areas (Land Degradation and Persistent Organic Pollutants).</p>	<p>\$ 184 million</p> <p>Targets & Indicators Program spread over 100 countries.</p>
<p>IV-Targeted cross-cutting capacity building projects</p> <p>OPS3: GEF should move toward a stronger country program focus by equipping countries with necessary tools and capacity. NCSAs should help lead to country programs.</p>	Acquisition of priority capacity needs for global environment management as a follow-up of National Capacity Needs Self-Assessments (NCSA)	<p>\$30 million</p> <p>Targets & Indicators Supporting priority needs in 60 developing countries that successfully complete NCSAs through MSPs costing up to \$500,000 on average per, country.</p>		<p>\$47 million</p> <p>Targets & Indicators Supporting priority needs through 90 projects that successfully complete NCSAs.</p>
<p>V-Country programs for LDCs and SIDS</p> <p>OPS3: Recognize that institutional capacity in LDCs and SIDS remains largely inadequate to pursue GEF</p>	Gaining essential capacity in majority of LDCs and SIDS to address and incorporate	<p>\$25 million</p> <p>Targets &</p>	<p>\$ 30 million</p> <p>Targets and</p>	<p>\$35 million</p> <p>Targets & Indicators</p>

Pathways	Primary Outcome	Scenario 1	Scenario 2	Scenario 3
opportunities and fulfill GEF obligations. Especially to provide additional financing to Pacific SIDS for building government capacity and mainstreaming environmental issues	global environmental management into national sustainable development.	Indicators Address critical capacity bottlenecks identified in NCSAs in 50 LDCs and SIDS.	Indicators Address critical capacity bottlenecks in 60 LDCs and SIDS.	Addressing critical capacity, bottlenecks identified in NCSAs in 70 LDCs and SIDS.

Overview of GEF-4: Focal Areas Strategic Objectives and Anticipated Outcomes

Program Goal and Focal Area Portfolio Objectives	Strategic Objectives for Each Focal Area	Portfolio Outcomes/Results
<p>Program Goal Contribute towards global environmental sustainability (Millennium Development Goal 7) by financing country-driven projects that generate global environmental benefits</p>	<p>-----</p>	<p>Strengthened management of the global environment (climate, land and water, biodiversity) and reduction of releases of POPs and ODS</p>
<p>Focal Area Portfolio Objectives: Biodiversity: The conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits arising out of the utilization of genetic resources</p>	<p>Catalyzing sustainability of protected areas Mainstreaming biodiversity conservation in production systems Capacity building for the Cartagena Protocol on biosafety Generation and dissemination of good practices for addressing current and emerging issues in biodiversity</p>	<p>Support to countries to achieve a significant reduction in the rate of biodiversity loss by 2010 as measured by CBD 2010 targets</p>
<p>Climate Change: Influence, develop, and transform the markets for energy and mobility in developing countries so that over the long term, they will be able to grow and operate efficiently toward a less carbon-intensive path</p>	<p>Promoting energy-efficient appliances and equipment Promoting industrial energy efficiency Promoting building energy efficiency Promoting grid electricity from renewable sources Promoting renewable energy for rural energy services Supporting the deployment of new, low-GHG-emitting energy technologies Facilitating sustainable mobility in urban areas Piloting a strategic approach to adaptation Promoting repowering of power plants (for higher replenishment scenarios)</p>	<p>Coordinated market development and scale-up in the areas of energy efficiency, renewable energy, and sustainable transportation</p>

Program Goal and Focal Area Portfolio Objectives	Strategic Objectives for Each Focal Area	Portfolio Outcomes/Results
<p>International Waters:</p> <p>Contribute, primarily as a catalyst, to the implementation of a more comprehensive, ecosystem-based approach in managing international waters</p>	<p>Catalyzing implementation of agreed reforms and stress reduction investments on-the-ground to address transboundary water concerns</p> <p>Expanding foundational capacity building to a limited # of new transboundary systems through integrated approaches and targeted learning for the IW portfolio</p> <p>Undertaking innovative demonstrations addressing key program gaps (groundwater, IWRM, SIDS concerns) in IW, with a focus on SIDS</p>	<p>Countries are equipped with and implement actions that bring about measurable reductions of anthropogenic stress to international water</p>
<p>Land Degradation (Desertification and Deforestation):</p> <p>Mitigate the causes and negative impacts of land degradation, especially desertification and deforestation on the structure and functional integrity of ecosystems through sustainable land management practices</p>	<p>Promoting the country partnership framework approach for removing barriers to SLM and foster system-wide change</p> <p>Upscale successful SLM practices for the control and prevention of desertification and deforestation through new operations</p> <p>Generating and disseminating knowledge addressing current and emerging issues in SLM</p> <p>Promote cross focal area synergies and integrated approaches to natural resources management</p>	<p>Support to countries to remove barriers for sustainable land management through: improving policy frameworks for SLM; develop institutional and human capacities for SLM; and promoting domestic and international investments for SLM with a special focus in LDC and SIDS</p>
<p>POPs:</p> <p>Reduce and eliminate the releases of POPs in order to protect human health and the environment</p>	<p>NIP program and dissemination of best practices</p> <p>Strengthening capacity for NIP implementation</p> <p>Partnering in investments for NIP implementation</p> <p>Partnering in demonstration of innovative technologies and practices for POPs reduction</p>	<p>Strengthened capacity of countries to manage POPs and implement the Stockholm Convention, and reduction of POPs releases</p>
<p>ODS:</p> <p>Contribute to measures that protect human health and the environment through preventing releases of ODS</p>	<p>Addressing HCFCs, residual use of MeBr, and institutional strengthening and other non-investment activities</p>	<p>Countries implement ODS consumption and production control measures according to schedule and meet their reporting obligations under the Montreal Protocol</p>

Program Goal and Focal Area Portfolio Objectives	Strategic Objectives for Each Focal Area	Portfolio Outcomes/Results
Corporate Programs: Support the mainstreaming of global environmental issues into the national development agendas and strengthening country program focus	Cross-cutting capacity building projects Country programs for LDCs and SIDS Small Grants Program Support to focal points Multi-stakeholder dialogue	GEF client countries incorporate their strategy for global environment protection in the framework of their sustainable development strategies

ANNEX 8: PURSUING INTEGRATED APPROACHES ACROSS THE GEF FOCAL AREAS

280. There are considerable opportunities to enhance the capture of global environmental benefits across the focal areas of the GEF, namely biodiversity, climate change, international waters, and land degradation (desertification and deforestation). Achieving this is the intended objective of the Operational Program 12 “Integrated Ecosystem Management”, where GEF support seeks to optimize global benefits while addressing the objectives of multiple international conventions and treaties in accordance with national priorities. Regrettably, one unintended result of implementing OP 12 has been to artificially segregate the application of integrated approaches to achieve global environmental benefits from the normal course of GEF project identification, development and implementation.

281. Opportunities for integration have naturally appeared in the GEF portfolio over time. The development of Marine Protected Area projects that are identified through Transboundary Diagnostic Analysis/Strategic Action Plan (TDA/SAP) planning and implementation processes in Large Marine Ecosystems is one opportunity that the GEF has been able to exploit. However, because these opportunities are being explored in a limited and ad-hoc manner, the added value that integrated approaches can provide to help countries address environmental management problems has not been fully realized.

282. Historically, GEF projects have mainly demonstrated implicit linkages across focal areas. The benefits generated beyond the primary focal area of a GEF project intervention have been taken as incidental and indirect. There is, however, a growing recognition of the need for the linkages to be made more explicit and to have GEF projects and programs designed so that the added-value of integration across focal areas can be optimized from the outset, monitored and measured accordingly. Support for this type of integrated approach reflects an international consensus that was originally advocated in Agenda 21 and most recently supported through the WSSD Plan of Implementation, made explicit in the Millennium Development Goals and most recently called for in the Millennium Ecosystem Assessment in order to secure ecosystem goods and services. This consensus opinion recognizes that managing natural resources, including energy, in an integrated manner is fundamental to achieving environmental sustainability in the context of sustainable development and vice versa.

283. As part of GEF-4, the GEF proposes to move beyond promoting integration through a dedicated operational program. When appropriate, projects or programs dealing with natural resources are to be conceived with multi-focal area objectives and should be developed accordingly applying the most appropriate approaches and methods to achieve global environmental benefits. The management approaches to be used will reflect the main entry point for a particular intervention but could include, but not be limited to, integrated water resources management, integrated natural resources management, the ecosystem approach, the sustainable land management approach, etc. What these approaches share in common is an understanding that sustainable environmental management is intrinsically linked to sustainable livelihoods and requires cross-sectoral collaboration and multi-level interventions. This can be achieved within the project or program context while remaining consistent with the core mandate of the GEF.

Integration Defined in the GEF Context

284. Integration in the GEF context is defined as the “joining of forces” across the GEF focal areas to help client countries most efficiently address their natural resource management priorities using an array of integrated approaches to conserve, sustainably use and manage natural resources, including biodiversity.

285. The project boundary for an integrated project or program will be defined geographically. The primary geographic entry point could range from a river basin (waters), to an ecosystem or biome (biodiversity) or a human-used landscape (sustainable land management). Thematic entry points could also serve as the focus for integration such as sustainable forest management, which touches upon the conservation and sustainable use of forest biodiversity, the production of timber and non-timber forest-products and biomass energy. The potential iterations and opportunities are numerous and largely untapped at present.

286. Regardless of a project’s or program’s entry point, each intervention would seek to more effectively contribute to achieving global environmental benefits in more than one focal area while helping clients move towards more environmentally sustainable development. Each intervention would have one overriding goal and project purpose, to which the contributions of each focal area would be directed.

287. The design and development of integrated programs and projects will require a sound scientific understanding of the baseline situation. A number of tools that have been successfully developed and applied at the project level in the GEF will prove useful in this regard. This includes the TDA/SAP process in international waters and the development of long-term programs and country partnerships in biodiversity and sustainable land management that are based on comprehensive problem and threat analyses. All of these approaches have identified a strong enabling environment as a prerequisite for success.

Pathways to Integration in GEF-4

288. Although there is an increasing awareness of the need for integration as evidenced by some of the current examples in the GEF portfolio, it has become clear that in order to systematically move towards integration, a more strategic approach across focal areas and with country clients is necessary. This strategic approach and the associated advantages and benefits could be also reflected and linked to GEF corporate programs, such as the National Dialogue Initiative.

289. A series of actions have been identified for implementation during GEF-4 that will foster integration using the existing structures in a more effective and efficient way. These actions will take place at three levels: the project level, the country level and the program level.

290. At the focal area project level, opportunities for collaboration across focal areas within specific interventions that heretofore were not fully exploited will be targeted. This could also include but not be limited to employing checklists and/or project review criteria to assess the interlinkages across focal areas that a specific project might be better able to accentuate through project design and implementation approaches (i.e., adaptation to anticipated climate change).

The work being undertaken by STAP on interlinkages will provide relevant guidance in this regard. In addition, within each Focal Area strategy for GEF-4, opportunities for integrated projects will be encouraged, as appropriate. The sharing of the incremental costs of identified integrated projects among relevant focal areas and Operational Programs will be considered on a case by case basis.

291. At the country level, opportunities for integration will be identified by making use of the National Dialogue Initiative and the NCSA process. These GEF outreach activities bring together multiple stakeholder groups and inter-ministerial committees and can therefore serve to foster the collaboration across sectors that will be necessary to identify opportunities within their GEF portfolios for integrated approaches to natural resources management.

292. At the program level, i.e., at the level of coordinated multi-project initiatives such as Strategic Partnerships and similar efforts, the GEF will pilot initiatives to demonstrate the application of comprehensive integrated natural resource management approaches whereby focal areas will share the overall incremental costs of interventions that bring together two (or more) focal areas to enhance the generation of global environmental benefits. These could include, but not be limited to, the implementation of Strategic Action Programs in International Waters and the country programs and partnerships currently in development in the Biodiversity and Land Degradation focal areas.

Examples of opportunities to promote integration

293. Adaptation to climate change offers a concrete opportunity to test the operational linkages between the regimes created by the Convention on Biodiversity (CBD), the UN Convention on Climate Change (UNFCCC), and the UN Convention on Desertification (UNCCD). The GEF will support projects that aim at increasing the resilience of ecosystems to climate change impacts, thereby improving natural resource management, increasing the long-term sustainability of project activities, and improving overall cost-effectiveness. The Strategic Priority entitled “Piloting an Operational Approach to Adaptation” (SPA) initially approved in GEF-3 will carry over into GEF-4 and will provide resources to pilot adaptation activities with global environmental benefits.

294. In the biodiversity focal area, coral reefs represent an excellent example of the impact of climate change on biodiversity of global significance. Coral reefs face severe threats from human interventions, threats that are being exacerbated by long-term climatic shifts. The biodiversity portfolio currently includes several projects that seek to manage and mitigate coral reef degradation from non-climate stresses. The onset of climate change will require that future projects include climate change vulnerability assessments and adaptation measures in their design. The application of scientific approaches to recovery mechanisms and enhanced monitoring of coral reef environments will permit us to learn from and strengthen our support for the recovery of coral reef ecosystems. Ultimately, the goal is to conserve and sustainably use coral reefs through interventions that address all causes of biodiversity loss, including the additional threats posed by climate change.

295. Another example emerges from the POPs portfolio. One of the most difficult issues with respect to the phase out of POPs is the use of DDT for malaria vector control. The spread of

malaria is largely kept in check by climatic factors (rain and temperature) necessary for specific species of mosquitoes. Under some scenarios, climate change will expand the range of these mosquitoes and therefore may lead to increased demand for the use of DDT or other dangerous chemicals. To succeed, projects focusing on developing sustainable alternatives to DDT for malaria vector control must take into account the fluctuations in the range of these mosquitoes and the expansion of that range brought about by climate change.

296. Climate change is among the key stress factors accelerating land degradation trends, especially in sub-Saharan Africa. The strong link between land degradation and poverty makes sustainable land management a top priority throughout the region. Current and future climate change will pose an additional challenge to the countries of sub-Saharan Africa. Global circulation models project that the duration and intensity of rainfall in this region will shift, creating greater erosive forces and periods of extreme droughts. In turn, this will have negative impacts on food security and environmental stability. The systematic mainstreaming of adaptation into sustainable land management initiatives will contribute to addressing in a comprehensive way the challenges associated with land degradation, including sustainable forest management, which touches upon the conservation and sustainable use of forest biodiversity, the production of timber and non-timber forest-products and biomass energy.

297. The POPs focal area involves important synergies with broader global objectives for the sound management of chemicals (SMC), other focal areas of the GEF, and relevant environment and development objectives of Agenda 21. The basis for the opportunities for synergies between the POPs focal area and SMC is twofold. Firstly, actions taken consistent with the Stockholm Convention to improve capacities for the sound management of POPs at the national level inevitably strengthen the “foundational capacity” needed for the nation’s sound management of chemicals more generally. Secondly, improving a country’s ability to manage chemicals soundly provides an essential basis for reducing a major threat to the environment and human health.

ANNEX 9 GEF'S CONTRIBUTIONS TO ENVIRONMENTAL SUSTAINABILITY, ERADICATION OF POVERTY AND OTHER MDGS

298. GEF financed activities directly contribute to the achievement of the Millennium Development Goals, the following illustrates some of GEF's contributions to the MDGs in each of its focal areas.

Climate Change

299. The poor in developing countries are more at risk from the impacts of climate change because of their limited capacity to cope with existing climate vulnerability and future change. The poor are also more vulnerable to climate change as they often live in places that are susceptible to natural calamities or adverse economic factors. Climate change therefore directly impacts the livelihoods of the poor and the assets they depend upon.

300. GEF climate change activities support sustainable measures that reduce the risk and the adverse effects of climate change. GEF projects help to reduce levels of air pollution through the introduction of energy efficient technologies which help to reduce emissions of greenhouse gases or ozone depleting substances which adversely affect health. The GEF also funds long term measures to remove the barriers to energy conservation, and energy efficiency and promoting the use of renewable energy based electricity services to poor households.

Biodiversity

301. People depend on biodiversity for their lives and livelihoods. However, poor people tend to be most directly dependent upon the utilization of biodiversity for their livelihoods and are therefore the first to suffer when these resources are degraded or lost. The loss of biodiversity can also impact maternal and infant health.

302. Biodiversity is also an important source of alternative foods during periods of scarcity. Functioning ecosystems provide numerous plant and animal foods, which can supplement and improve diets dependent largely on one or two staple crops. These sources of food become critical when crops fail because of drought, floods or inadequate supplies of freshwater during peak growing seasons. Biodiversity is also a source of raw materials that underpin medicinal and health care systems.

303. GEF activities encourage conservation and sustainable use of biodiversity which improves the livelihoods of those dependent on natural resources. The GEF works with indigenous peoples, governments, and non governmental organizations to secure resources and identify best practices for strengthening management capacity and creating the right conditions for long-term support. Many of the GEF's small grants programs projects specifically target poor, rural communities in which livelihoods depend on the natural resource base. Biodiversity projects often include components for poverty reduction such as income generation activities, and the GEF also provides assistance to mainstream biodiversity conservation in landscapes where the primary emphasis is on economic uses.

Land Degradation

304. Human activities and climatic variations have caused the degradation of land in many developing countries. Along with these human activities, climatic factors also contribute to the process of land degradation. The impact of land degradation is most severe in the developing world, especially among the poor, reducing agricultural productivity, especially in Africa, Central America and Asia. If the erosion of natural resources is not successfully arrested and reversed, the world will not be able to meet the Millennium Development Goals (MDGs), particularly the goal of halving extreme poverty and hunger by 2015.

305. Poverty and degradation of nature can combine into a downward spiral. Poor communities often have fewer options to conserve their natural resources, leading to further deterioration of the land and even greater poverty. The problem of degradation of drylands is acknowledged as a cause as well as a consequence of poverty. Poor farming practices and deforestation can lead to serious soil erosion and lack of moisture, making survival from the land even more difficult.

306. GEF activities to combat land degradation involve a wide range of measures which also contribute to combating poverty, structural reforms and to sustainable development. GEF land degradation activities seek to integrate sustainable land management activities into national development priorities, strengthen human, technical, and institutional capacities, bring about needed policy and regulatory reforms, and implement innovative sustainable land management practices.

International Waters

307. Improved management of water resources is now acknowledged to be a key component underpinning strategies for addressing virtually all of the MDGs. Polluted ecosystems, overfished waters, and poor water management have a detrimental effect on the health, livelihoods, and food security of communities and their economies. GEF supported interventions in its International Waters focal area directly contribute to progress on most of the MDGs. For example, improving fisheries, balancing water uses, and addressing wasteful irrigation contribute to poverty reduction and hunger aspects. Pollution reduction for persistent toxic substances, protection of water supplies, and low-cost sewage treatment not only help reduce diseases and also contribute to reducing child mortality and improving maternal health. These same interventions help with many aspects of environmental sustainability.

308. GEF takes a holistic and participatory approach to assisting countries as they work together to improve management of transboundary freshwater and marine systems with a view toward finding new paths to sustainable development. GEF IW projects help countries to balance competing uses of water resources so that multiple uses by different sectors may be sustained in the long term. GEF commonly demonstrates use of appropriate technologies for sewage collection and treatment, pollution reduction, water use efficiency, restoration of water ecosystems, and protection of surface and groundwater drinking water supply systems. By undertaking these pilot demonstrations and encouraging their replication through policy, legal

and institutional reforms, GEF is contributing to the global effort for improving water resources so that the MDGs may be achieved.

POPS

309. Poor management of chemicals adversely affects human health and the environment, compromising disproportionately the worlds' most vulnerable and marginalized groups, the urban and rural poor, especially women and children. The urban poor typically reside in areas considered undesirable, often adjacent to industrial zones that are major sources of contaminants and chemicals exposed to high levels of chemical pollutants. In contrast, three quarters of the world's poor live and work in rural areas and are largely dependent on the agricultural sector for sustenance. The improper use, management and storage of pesticides among the rural poor, especially in agriculture, further increases their exposure to and health risks from these often toxic substances.

310. Concerted action on good chemicals management, provides, within the context of the MDGs (e.g., halving extreme poverty and hunger, reducing under-five mortality by two thirds, and ensuring environmental sustainability) significant benefits to the poor in the developing world, especially women and children.

311. The GEF's overall global, regional and country-level chemicals management strategy reduces the vulnerability of the poor to health and other environmental stresses, integrates environmental issues into national environmental and poverty reduction planning frameworks; promotes access by the poor to best available and affordable technologies, and enhances the ongoing sustainable management of chemicals globally. The GEF is assisting developing countries in several areas, including preparation of National Implementation Plans (NIPs), building country capacity to address the threats posed by POPs, and on-the-ground interventions to assist eligible countries to reduce and eliminate POPs emissions.