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GEF-5 PROGRAMMING DOCUMENT

DRAFT

EXECUTIVE SUMMARY

DRAFT

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INTRODUCTION

1. At the Second Meeting for the Fifth Replenishment of the GEF Trust Fund, held in Washington, D.C during June 25-26, 2009, Contributing Participants discussed GEF/R.5/14, *Draft GEF-5 Programming Document*, covering, inter-alia: (i) focal area strategies; (ii) an approach to enhance engagement with the private sector; (iii) corporate programs strategy, and (iv) a results-based management framework, including monitoring and reporting on results.
2. Participants provided detailed comments during the meeting, and some Participants provided additional written comments to the Secretariat. Reflecting on the comments received, and further consultations with the GEF Agencies, the Evaluation Office, Trustee, [and the GEF-NGO network], the Secretariat has prepared **GEF/R.15/** , *GEF-5 Programming Document*, for discussion at the October 2009 Replenishment Meeting.

PROGRAMMING FOR GEF-5

3. After restructuring in 1994, the GEF Trust Fund was replenished (GEF-1) at \$2.0 billion for 4 years. In 1998, the Trust Fund was replenished at \$2.75 billion (GEF-2, 1998-2002); in 2002, donors committed \$3 billion to GEF-3 (2002-2006); and in 2006, contributing Participants committed \$3.135 billion to GEF-4 (2006-2010). Negotiations on the Fifth Replenishment of the GEF began in March 2009.
4. The Fifth Replenishment period is expected to cover GEF operations and activities for the four years covering July 1, 2010 to June 30, 2014. The focal area strategies are built on work undertaken by the Technical Advisory Groups (TAGs)¹ established by the CEO and on feedback received from the GEF Agencies and other stakeholders.
5. The overall approach to programming in GEF-5 builds on achievements in the first four phases of the GEF and the refinements made in the focal area strategies during GEF-4. These strategies, while continuing to address the main objectives of the conventions, are designed to be supportive of the sustainable development needs of recipient countries in their pursuit of the millennium development goals, particularly goal #7 on environmental sustainability.
6. Overall, the GEF-5 focal area strategies reflect: (i) the strategic positioning for GEF-5; (ii) a move towards a transformational scaling-up of activities; and (iii) the associated replenishment target for GEF-5.

Strategic positioning for GEF-5

7. The strategic positioning for GEF-5, as first outlined in GEF/R.5/7/Rev.1, and discussed at the First Replenishment Meeting in March 2009, proposed: (i) six strategic elements for GEF-5; and (ii) reforms in five interconnected areas.

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

Six Strategic Elements

8. The six strategic elements, while reflecting the various strengths that the GEF has developed, also points towards areas where GEF needs to enhance its involvement:

- (a) Continuing as a key operating entity of the financial mechanism of the major global environmental conventions by providing assistance to a large number of countries through a comprehensive approach employing investment, technical assistance and scientific assessment, and embodying an integrated approach that links different conventions and focal areas;
- (b) Functioning as the coordinator and/or manager of several funds, building on the track record of managing funds entrusted to the GEF by the UNFCCC;
- (c) Clarifying an approach regarding choice of grant and non-grant instruments, choosing combinations of these instruments to support investments of a transformative scale;
- (d) Maintaining focus on innovation, catalyzing the supporting cutting-edge technologies and policy reforms with the objective of enabling replication and scaling-up;
- (e) Enhancing engagement with the private sector, building upon advances made in GEF-4 through the Earth Fund; and
- (f) Refining approaches in the focal areas to reflect the emerging scientific and policy understandings.

Five Reform Areas

9. At the Second Replenishment Meeting, held in Washington D.C in June 2009, Contributing Participants reviewed the reform package presented in GEF/R.5/15, *Draft GEF Policy, Institutional, and Governance Reforms*. Based on feedback from the Participants, and that document has evolved into **GEF/R.5/___**, *Draft Policy Recommendations for the Fifth Replenishment of the GEF Trust Fund* presented for discussion at the October 2009 Replenishment meeting. The proposed policy recommendations include:

- (a) Enhancing accountability to the conventions through several consultative mechanisms, and a proposed arrangement whereby conventions and other stakeholders would participate in Council discussions associated with focal area strategies and resource programming;
- (b) Improving responsiveness to recipient countries by developing a more flexible resource allocation system; aligning programming with country needs and priorities based on *National GEF Business Plans*, prepared by countries with GEF support; providing assistance through programs that will have a transformative impact rather than projects; [providing access to GEF resources to additional qualified international agencies/organizations] and piloting direct access to qualified national agencies/organizations; reducing transaction costs; trimming overhead costs; tailoring the project cycle to capacities of agencies;

- (c) Tracking delivery of results through continued implementation of the GEF Results-based Management Framework, managing performance, measuring results with standardized approaches and fostering learning;
 - (d) Strengthening the funding base by flexible arrangements in the GEF Trust Fund geared towards: (i) accepting [earmarked] contributions from Participants between replenishment cycles; and (ii) making the replenishment resolution explicit regarding acceptance of resources from other contributors such as the private sector and foundations. [The GEF should also be ready to accept resources that may become available due to the establishment of innovative funding mechanisms at multilateral environmental conventions, etc.]
 - (e) Clarifying the roles and responsibilities of the GEF entities in order to further strengthen the GEF partnership.
 - (f) Clarifying the arrangements for provision of legal advice to the GEF, and provision of delegated signing authority to the CEO.
10. The GEF-5 programming approach is more closely connected with three platforms of the proposed strategic positioning as follows:
- (a) Closer to conventions: The focal area strategies reflect the emerging guidance from the conventions, including anticipation of the directions of the conventions in the immediate future;
 - (b) Closer to countries: It is proposed that projects for GEF financing be identified with the framework of *National GEF Business Plans* (financed with GEF resources). Also under consideration in the policy recommendations package is a proposal to pilot an arrangement whereby qualified national entities be provided direct access to GEF resources; and
 - (c) Results-oriented: Focal area strategies have clearly identified output and outcome indicators so that progress towards results can be measured during GEF-5.

Transformational Scaling-up of Activities

11. Four replenishments and the pilot phase have provided a total of over \$10 billion over the 15- year history of the GEF. Having leveraged these resources four times over, the GEF, along with its partner Agencies, established a strong track-record over the last 18 years of catalyzing innovative approaches covering investment, technical assistance, and scientific assessment, and of helping developing countries generate global environmental benefits in the context of national sustainable strategies.

12. To place GEF activities in perspective, the demand for resources to meaningfully tackle global environmental problems are estimated at hundreds of billions of dollars. To deal with climate change mitigation, for example, it is estimated by the UNFCCC that \$200 billion per year will be required by 2030 as additional investment, half of it in developing countries, for new low-emission technology, if emissions are to be reduced by 25 percent of 1990 levels. Moreover, new technologies will need to be developed and implemented to achieve emissions reductions beyond 2020. The EGTT interim report on funding for new technologies estimates an additional \$300

billion to \$1 trillion a year. To reverse rapid degradation of natural resources and to preserve ecosystem services, estimates from intergovernmental and major international processes run as high as \$50 billion per year.² The assessment of funding needs of developing countries and countries with economies in transition conducted by independent experts under the Stockholm Convention estimates \$4.5 billion for the period 2010-2014. This is in addition to largely unmet needs of \$3.4 billion for the period 2004-2009 – and these only for the 66 countries that had submitted their national implementation plan at time of the analysis.

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

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

Voluntary National GEF Business Plans

15. All recipient countries will be provided with GEF resources to prepare *Voluntary National GEF Business Plans* as a guide for seeking GEF support. These plans will be prepared by national steering committees, coordinated by the GEF operational focal point, and shall link with other planning processes in the country, including any planning processes of GEF Agencies; it is encouraged that GEF Agencies play a role in the national steering committee process in the preparation of business plans.

16. The plans will be used as business tools and will build upon the engagement the GEF Secretariat had with recipient countries at the beginning of GEF-4 when telephone consultations were initiated to discuss programming under the Resource Allocation Framework. The plans are to indicate the programming directions to be undertaken by countries and should help develop better regional programs/projects based on national priorities. The GEF Secretariat will facilitate the preparation of the business plans, and the GEF will provide financial support up to \$50,000 for each country as part of the corporate programs.

17. Preparation of business plans is not a pre-requisite for obtaining GEF grants. If countries have other plans that are already prepared towards this objective, then those plans could be

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

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

submitted to the GEF. Principles of transparency and inclusiveness of national partners, including community service organizations, will be encouraged. For details refer to the section on corporate program strategy.

Transformative Programs in Sustainable Forest Management

18. Countries that prepare national plans embodying a programmatic approach or major multi-focal area projects that combine resources and objectives in more than one of GEF's focal areas of biodiversity, climate change, international waters, and land degradation, aiming for a transformative impact in sustainable forest management, will receive additional resources as incentives on top of their respective country allocations. For details, see section on Sustainable Forest Management.

Transformative Programs Employing Non-Grant Instruments

19. Countries that propose to employ non-grant resources to prepare national plans and propose programmatic approaches in any of the GEF focal areas will receive additional resources (also employed with non-grant instruments) for such programs in addition to their country allocations. For details see Annex 1 on the Use of Non-Grant Instruments with Public Entities.

OVERALL APPROACH TO FOCAL AREA STRATEGIES

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

21. Focal area strategies are presented in two parts. In the main document, brief descriptions of strategies, results frameworks, and deliverables against different replenishment scenarios for the focal areas and cross-cutting areas are presented. These focal area results frameworks include outcome indicators and targets that can be aggregated to the portfolio level in support of GEF goals as indicated in Figure 1. Detailed focal area strategies, supporting the results frameworks, are compiled in an information document, GEF/R.5/Inf. __, Focal Area Strategies for GEF-5.

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

GEF Results Architecture

23. The GEF enables countries to generate agreed global environmental benefits and services, and to support global environmental conventions. The proposed results architecture presented in this section identifies four broad corporate level strategic goals, with a select number of indicators and accompanying targets. For some indicators, targets cannot be set, for example for new areas of intervention, however a baseline will be undertaken for each project and targets will be set at the

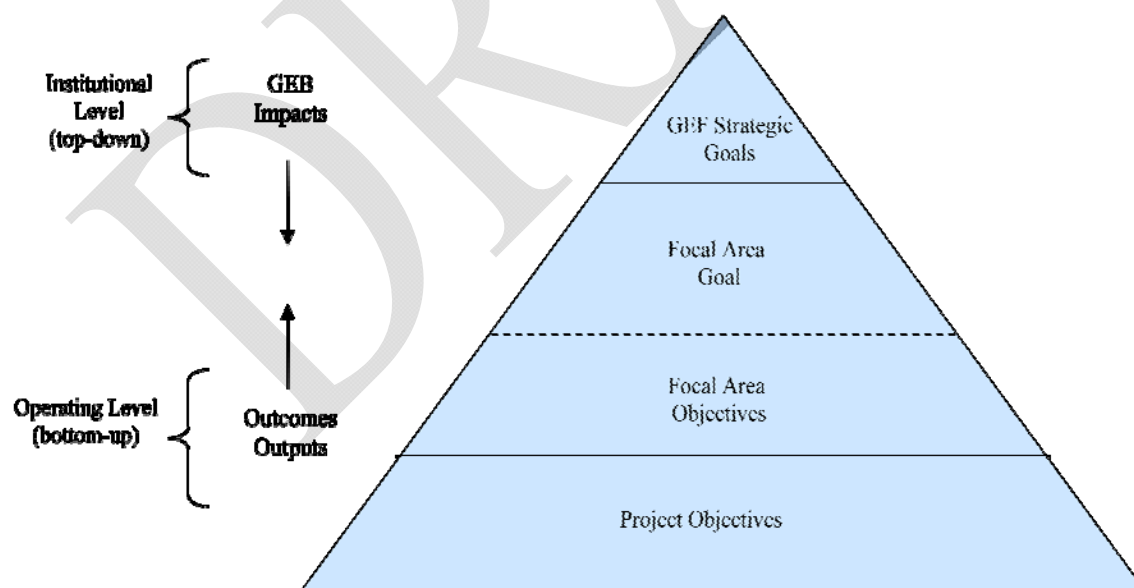
project level. These four strategic goals cover all activities under the mandate of the GEF. The four GEF Strategic Goals are:

- (a) Strategic Goal 1 -- Conserve, sustainably use, and manage ecosystems and natural resources globally, taking into account the anticipated impacts of climate change.
- (b) Strategic Goal 2 – Reduce global climate change risks by: 1) stabilizing atmospheric GHG concentrations through emission reduction actions; and 2) assisting countries to adapt to climate change, including variability.
- (c) Strategic Goal 3 -- Eliminate chemicals that affect the health of humans and global environments.
- (d) Strategic Goal 4 - Build national and regional capacities and enabling conditions for global environmental protection and sustainable development.

24. Focal area goals and objectives will align to a specific strategic goal. Individual projects will directly reflect the objectives and implementation priorities of countries, and support the contribution to focal area and GEF strategic goals. The GEF Results Chain, depicted in Figure 1, shows three results levels: project, focal area or portfolio level, and corporate level. The GEF Secretariat is responsible for measuring results at the focal area or portfolio level and at the strategic goal level. Implementing agencies will ensure measurement of results at the project level.

25. The GEF 5 approach to RBM, the corporate results framework and effective and efficient management indicators are presented in the RBM section, [page 72](#).

Figure 1: GEF Results-Chain



The Imperative of an Integrated Approach to Global Environmental Goods

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

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

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

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

30. These are not theories about the future. For instance, there are already many transboundary groundwater, river, and lake basins subject to intense conflicts over water use and fisheries depletion. Water, environment, and community security is at risk in these basins, as river flow and aquifer levels are depleted and community livelihoods, food sources, and health are impacted. These multi-country tensions over water resources are being worsened by an increase in extreme events such as floods and droughts and, for example, by the loss of glaciers in South America and South Asia induced by climate change. Conversely, better natural resource stewardship and water resource policy reforms can lessen the social and economic impact of political turmoil events, or even prevent them from happening in the first place.

31. The situation for the oceans has been equally serious. Seventy-five percent of marine fish stocks have been depleted, over-fished, or fished at capacity. With this level of exploitation, their productivity has been reduced, fish species composition has been dramatically altered, and fishing effort has increased further in futile attempts to maintain catches under the same levels of return. A

recent analysis from the World Bank and FAO calculated an annual loss of about \$50 billion arising from depleted fish stocks and poor fisheries management, with a cumulative trillion dollar economic loss during the last 30 years arising from destructive economic incentives. With coastal ocean temperatures documented to be warming 3-5 times more rapidly than IPCC projections, there is no time to waste if reductions in coastal livelihoods, food security, exports and economic growth are to be reversed. This finding is not exclusive to the impacts in the marine realm; it is widely accepted that the overall costs and risks of climate change will far exceed the cost of action to mitigate emissions over the next few decades.

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

33. Intergovernmental and major international processes have generated cost estimates for reversing these trends that run as high as \$50 billion per year.⁴ The Economics of Ecosystems and Biodiversity (TEEB) study estimates that while per capita “GDP of the poor” in India is estimated to be about \$95 capita per annum after including ecosystem services, if these services were denied, then the cost of replacing lost livelihood, equity adjusted, would be 50 percent higher. Conversely, the costs of conservation compare in extremely favorable ratios with the benefits they provide. For example, it has been calculated that for an annual investment of US\$ 45 million directed towards protected areas – around a sixth of that needed to manage protected areas worldwide – we could continue to secure ecosystem services provided by protected areas worth some US\$ 5 trillion (a benefit-cost ratio of 100:1).

34. In essence, wherever we look, it becomes increasingly evident that in the long haul protecting and sustainably managing natural capital is not only a very worthwhile economic investment, but vital to keeping open future human development options. The GEF strategies for the next replenishment cycle reflect this realization and are built upon the experience accumulated over the past 18 years of funding projects and programs across the various focal areas that are integral to the sustainable management of global environmental goods and natural resources.

35. The GEF is well positioned to tackle these challenges in an integrated way because of the existing inter-linkages between its focal areas. For example, climate change directly affects biodiversity and desertification. The more intense and far-reaching climate change is, the greater will be the loss of plant and animal species, and the more forests and other types of vegetation will be lost or left to deteriorate. Deforestation acts synergistically to amplify the effects on climate

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

change. At the same time, the responses to threats also can be related, and can often be implemented in conjunction, such as by harnessing the roles of forests in climate change adaptation and in maintaining the resilience of natural systems.

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

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

38. The next section contains strategies in the different focal areas. The description of each focal area strategy is followed by a description of deliverables against two overall replenishment scenarios of \$5 billion and \$9 billion (refer to Table 8 for proposed programming targets for the different focal areas).

BIODIVERSITY

39. Biodiversity is defined as “the variability among living organisms from all sources including, *inter alia*, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species, and of ecosystems⁵.” As such, biodiversity is life itself, but it also supports all life on the planet, and its functions are responsible for maintaining the ecosystem processes that provide food, water, and materials to human societies.

40. Biodiversity is under heavy threat and its loss is considered one of the most critical challenges to humankind. The interim report of the global study, “The Economics of Ecosystems & Biodiversity (TEEB)” reinforces the conclusion of the Millennium Ecosystem Assessment that ecosystem services are being degraded or used unsustainably with severe socio-economic consequences for human societies and for the future of all life on the planet⁶.

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

42. The GEF-5 strategy will maintain coherence with the GEF-4 strategy and address a subset of the direct and indirect drivers of biodiversity loss and focus on the highest leverage opportunities to conserve and sustainably use biodiversity. The ninth meeting of the Conference of the Parties of the Convention on Biological Diversity acknowledged that the GEF-4 strategy served as a useful starting point for the GEF-5 strategy and requested GEF to build on it for the fifth replenishment based on the four year framework of program priorities developed by COP-9.⁷ Refinements to the strategy’s objectives are introduced based on COP-9 guidance, advances in conservation practice, and advice from the Scientific and Technical Advisory Panel of the GEF.

43. The goal of the biodiversity focal area is the conservation and sustainable use of biodiversity and the maintenance of ecosystem goods and services. To achieve this goal, the strategy encompasses the four objectives listed below:

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

⁵ Convention on Biological Diversity.

⁶ Millennium Ecosystem Assessment 2005, Ecosystems and Human Well-being: Synthesis, Island Press, Washington DC.

⁷ Decision CBD COP IX/31.

Global and Regional Set-Aside (GRS)

44. Countries will be able to access the global and regional set-aside funds (GRS) to implement enabling activities for an amount up to \$500,000 on an expedited basis. This could include support to revising NBSAPs in line with the CBD's new strategic plan to be updated at COP-10, as well as add-ons, Clearing House Mechanism, and national reports.

45. The remaining funds in GRS will be used to address supra-national strategic priorities or to incentivize countries to make substantive changes in the state of biodiversity at the national level through participation in global, regional or multi-country projects. Projects supported with GRS funds will meet some or all of the following criteria: (i) relevant to the objectives of GEF's biodiversity strategy; (ii) support priorities identified by the COP of the CBD; (iii) high likelihood that the project will have a broad and positive impact on biodiversity; (iv) potential for replication; (v) global demonstration value; and (vi) contribute to global conservation knowledge through formal experimental or quasi-experimental designs that test and evaluate the hypotheses embedded in project interventions. An incentive system would operate for all *regional* projects whereby participating countries would receive one dollar from the GRS for every three dollars (at least) dedicated to a project from their national allocation.

Programming for Replenishment Scenarios (see Table One)

\$5 Billion Replenishment

46. With a replenishment of \$ 5.0 billion, \$ 1.25 billion will be allocated to the biodiversity focal area. At this level of resource availability, coverage of the portfolio as measured in an increase in surface area under improved biodiversity conservation and sustainable use (objectives one and two of the strategy), will reach approximately 215 million hectares. Of that total amount, investment in improving the management effectiveness of protected areas will encompass 140 million hectares, thus continuing GEF's prioritization in helping countries implement their obligations under the CBD Programme of Work on Protected Areas. Support to capacity building on biosafety (objective three of the strategy) at the programming levels suggested will allow those countries who have not yet implemented national biosafety frameworks (approximately 70) to do so while dedicating the remaining resources to regional and thematic projects as outlined in the council approved biosafety strategy. Finally, initial capacity building support will be provided in access and benefit sharing in response to COP guidance emanating from an agreed international regime at COP-10 (objective four of the strategy).

47. Consistent with the criteria identified above for special initiatives to be funded by GRS, under a \$5.0 billion replenishment, the biodiversity focal area will partner with the international waters focal and set aside \$25 million from the GRS to initiate a global pilot program focused on the protection of marine biodiversity in "Areas Beyond National Jurisdiction" (ABNJ). This investment will complement GEF's continued focus on increasing marine protected area coverage under national jurisdiction given that about 50% of the Earth's surface is considered the high seas, or marine areas beyond national jurisdiction. These offshore areas harbor about 90% of the Earth's biomass and host a diversity of species and ecosystems, many of which are yet to be discovered. As a result, protection of the high seas has become an emerging priority in biodiversity conservation. Although conservation and management of high seas marine protected areas pose a number governance challenges and legal issues, the GEF believes that it is important to begin

learning how to implement and manage marine protected areas in the waters beyond national jurisdiction. The proposed pilot is consistent with CBD COP Decision IX/20.

48. The IPCC has been responsible for both the resolution of important scientific questions related to the nature and extent of the global warming problem, as well as making those contributions effectively permeate the policy debate at the highest levels. However, the science-policy interface for biodiversity and ecosystem services is fragmented inside and outside of the CBD impeding a similar incremental process occurring for the equally important problem of biodiversity loss and ecosystem degradation like that the world has witnessed with the IPCC. Policy making in biodiversity conservation and ecosystem management at all levels can be further strengthened if they are supported by credible, legitimate and salient scientific findings and recommendations which are provided by an intergovernmental science-policy platform, building on the GEF-funded Millennium Ecosystem Assessment findings. To follow on this need, CBD COP IX agreed to explore the establishment of an intergovernmental platform on biodiversity and ecosystem services (IPBES). The twenty-fifth session of the UNEP Governing Council/Global Ministerial Environmental Forum adopted Decision 25/10 on the intergovernmental science-policy platform on biodiversity and ecosystem services, which accords UNEP the mandate to continue to facilitate future discussions on strengthening science-policy interfaces on biodiversity and ecosystem services. Supporting this emerging initiative could be undertaken with a contribution from the GRS, consistent with the Special Role for UNEP in GEF-5.

49. \$9 Billion Replenishment

50. With a replenishment of \$ 9.0 billion, \$ 2 billion will be allocated to the biodiversity focal area. Under this higher level replenishment scenario, GEF would dedicate the increase of \$ 750 million to investments in national protected area systems with a continued strategic focus on the key elements of sustainability: ecosystem representation, sustainable and predictable levels of financing, and management capacity.

51. The GEF has been widely recognized as the world's most important donor for creating and improving the management of protected areas globally and the key catalyst to the global achievement of 10% of the world's terrestrial area under protection. However, much more remains to be done given the uneven distribution of protection within terrestrial ecoregions (some are well above the 10% target, others below) and with regards to conservation of the marine environment where only 5.9% of the world's territorial seas and less than one-percent of the high seas are protected. The achievements made by the global community with GEF support must be further consolidated through enhancing the sustainability of protected area systems such that they continue to deliver the global benefits of: a) biodiversity (particularly indirect use and option values, and existence values); b) provision of ecosystem goods and services, including contributions to climate mitigation; and, c) cost-effective, ecosystem-based adaptation.

52. GEF support would continue to focus on improving (and measuring) management effectiveness of protected areas and the additional investment would lead to an increase of 290 million hectares of projected areas under effective management for biodiversity conservation totaling about 23 % of the area of protected terrestrial ecosystems or 37% of the area of protected marine ecosystems in GEF-eligible countries.

53. Support to all other objectives of the strategy will remain constant under the increased replenishment scenario to ensure maximum impact with the additional investment in protected area management. Furthermore, capacity building in biosafety (objective three of the strategy) will have reached full implementation per the approved biosafety strategy at the proposed funding levels under the \$ 5 billion replenishment. Implementation of access and benefit sharing (ABS) frameworks (objective four of the strategy) will be in the very early stages assuming successful conclusion of the international regime on ABS calling for a more cautious investment strategy given that no formal guidance is yet available.

54. The higher replenishment scenario would increase the available resources under the GRS. These additional resources would be used in the following manner. The first priority would be to increase support to US\$ 50 million for the joint program with the international waters focal area on marine areas beyond national jurisdiction (ABNJ). In addition, two initiatives would be established to support regional and multi-country projects that dealt with two transboundary conservation challenges. The first would support projects that focused on the *conservation of migratory species* and that were consistent with objectives one and two of the biodiversity strategy. The second would support regional or multi-country projects that focused on *reducing the illegal wildlife trade* and that included contributions and participation from importers and exporters of wildlife. These projects would be primarily aligned with objective two of the biodiversity strategy to incorporate biodiversity conservation and sustainable use into broader, policy and regulatory frameworks.

55. The results framework for the GEF-5 biodiversity strategy is outlined in Table 1 along with expected key outputs for each replenishment scenario.

Table 1: Biodiversity: Results Framework and Key Outputs under Two Replenishment Scenarios

Objectives	Expected Outcomes	Core Outputs	Key expected outputs under \$5 billion Scenario	Key Expected Outputs under \$9 billion Scenario
Total Focal Area Allocation			\$1.250 billion	\$2 billion
Objective 1: Improve Sustainability of Protected Area Systems	Sufficient revenue for protected area systems to meet total expenditures required for management	Sustainable financing plans	700 million	1.45 billion
	Increased representation of ecosystems effectively conserved within protected areas	New protected areas and coverage of unprotected ecosystems.	Effective conservation and management of 140 million hectares of protected areas.	Effective conservation and management of 290 million hectares of protected areas.
	Increased representation of threatened species effectively conserved within protected areas	New protected areas and coverage of threatened species		
	Improved management effectiveness of existing protected areas			
Objective 2: Mainstream Biodiversity Conservation and Sustainable Use into Production Landscapes, Seascapes and Sectors	Measures to conserve and sustainably use biodiversity incorporated in policy and regulatory frameworks	Policies and regulatory frameworks for production sectors	300 million	300 million
	Improved management frameworks to prevent, control and manage invasive alien species	National and sub-national land-use plans that incorporate biodiversity and ecosystem services valuation	Sustainable use and management of biodiversity in 75 million hectares of production landscapes and seascapes.	Sustainable use and management of biodiversity in 75 million hectares of production landscapes and seascapes.
	Increase in sustainably managed landscapes and seascapes that integrate biodiversity conservation	Certified production landscapes and seascapes		

Objectives	Expected Outcomes	Core Outputs	Key expected outputs under \$5 billion Scenario	Key Expected Outputs under \$9 billion Scenario
Objective 3: Build Capacity for the Implementation of the Cartagena Protocol on Biosafety (CPB)	Potential risks of living modified organisms to biodiversity are identified and evaluated in a scientifically sound and transparent manner	National biosafety decision-making systems in place	100 million All remaining eligible countries (about 70, depending on programming for rest of GEF-4) implement national biosafety frameworks.	100 million All remaining eligible countries (about 70, depending on programming for rest of GEF-4) implement national biosafety frameworks.
Objective 4: Build Capacity on Access to Genetic Resources and Benefit Sharing	Legal and regulatory frameworks, and administrative procedures established that enable access to genetic resources and benefit sharing in accordance with the CBD provisions	Access and benefit-sharing agreements that recognize the core ABS principles of Prior Informed Consent (PIC) and Mutually Agreed Terms (MAT) including the fair and equitable sharing of benefits.	150 million Initial capacity building in ABS, responsive to COP guidance emanating from agreed international regime.	150 million Initial capacity building in ABS, responsive to COP guidance emanating from agreed international regime.
Global and regional set-aside (GRS)			Support to: 1) IPBES; 2) special initiatives that meet criteria set forth in the biodiversity strategy including joint program (GRS contribution of US\$25 million) with the international waters focal area on implementing marine	Same as \$5 billion replenishment plus: a) US\$ 50 million contribution to joint ABNJ program with the international waters focal area b) regional migratory species initiative, c)

Objectives	Expected Outcomes	Core Outputs	Key expected outputs under \$5 billion Scenario	Key Expected Outputs under \$9 billion Scenario
			protected areas beyond national jurisdiction (ABNJ).	regional/multi-country initiative to reduce illegal wildlife trade

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CLIMATE CHANGE MITIGATION

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

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

Guiding Principles

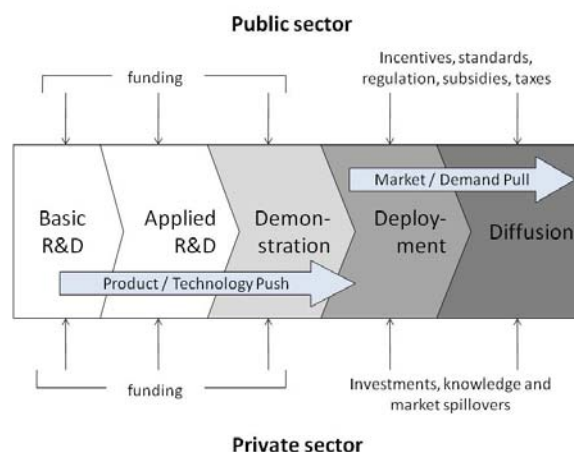
58. Development of GEF-5 strategy in the climate change focal area will draw on the past experience, and will be guided by three principles: (i) responsiveness to Convention guidance; (ii) consideration of national circumstances of recipient countries; and (iii) cost-effectiveness in achieving global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

59. Recent decisions reached by the Conference of the Parties to the UNFCCC have given the GEF guidance particularly in the areas of development and transfer of environmentally sound technologies and undertaking activities in land use and land-use change. At COP13, the GEF was requested to elaborate a strategic program to scale up the level of investment in technology transfer to help developing countries address their needs for environmentally sound technologies. COP14 welcomed the technology transfer program presented by the GEF as a step toward scaling up the level of investment in technology transfer to developing countries and requested the GEF to consider the long-term implementation of the strategic program on technology transfer. On LULUCF, COP12 requested the GEF to explore options for undertaking land use and land-use change projects within the climate change focal area in light of past experience. The Bali Action Plan also highlighted new issues such as measurable, reportable, and verifiable (MRV) nationally appropriate mitigation actions (NAMAs) by developing countries in the context of sustainable development, supported and enabled by technology, financing, and capacity building.

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

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

Figure 2: Technology Development Cycle and Innovation Chain⁸



62. In GEF-5, a national planning process will be introduced to support countries in identifying priority areas for GEF support in line with the countries' development objectives and climate change policy and strategies. Programming of GEF resources at the country level will be based on the priority sectors, technologies, and activities identified by the countries themselves. The GEF will endeavor to make transformative impacts in GEF-recipient countries, taking national circumstances into consideration. The use of non-grant instruments will be promoted in countries where conditions are suitable and demand exists in order to catalyze commercial financing and leverage investment from the private sector.

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

⁸ Source: Adapted from IPCC, 2007: Technical Summary, in Climate Change 2007: Mitigation, Contribution of Working Group III to the Fourth Assessment Report of the IPCC.

64. Furthermore, the GEF can play a useful and growing role in the emerging carbon markets, which is expected to increase rapidly in the future. The GEF is uniquely positioned to expand its engagement in the carbon markets given its extensive network of partner institutions, its rich experience in financing clean energy and sustainable urban transport activities and in promoting the transfer of a broad range of environmentally sound technologies to developing countries, and finally its strong track record in reducing GHG emissions cost-effectively from its investments. In fact, GEF's early intervention in many cases – be it demonstrating technologies for landfill gas and coalbed methane utilization or putting policy and regulatory frameworks in place to stimulate investment in renewable energy – has laid the foundation for the carbon markets to function and replicate subsequently.

65. Options to be explored by the GEF may include: (i) capacity building related to sectoral targets, NAMAs, MRVs, programmatic carbon finance, and other activities under the post-2012 climate regime; (ii) risk mitigation for projects at an early stage of technological innovation; and (iii) co-financing of innovative projects, with credits to be retained in the recipient country for further project replication. GEF engagement in carbon finance activities will complement other programs and reforms in GEF-5.

66. Finally, the GEF will strive to play a complementary role to the existing climate funds and emerging mechanisms in the post-Copenhagen financial architecture. The GEF has a unique history and rich experience in operating the financial mechanism of the UNFCCC. It has supported enabling activities and climate change mitigation and adaptation projects in more than 130 countries, including extensive engagement with LDCs and a wide range of other developing countries and economies in transition. GEF success in capacity building and market transformation often goes hand in hand with investment activities. Capacity building alone is often insufficient to transform the market and get climate-friendly technologies adopted. A more comprehensive approach, including investing in a broad spectrum of activities at various stages of the technology development cycle, proves to be more robust and effective in transferring climate-friendly technologies to the developing world.

Goal and Objectives

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

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

Programming for Replenishment Scenarios

69. The overall strategic thinking is that under the \$5 billion replenishment scenario, the focus for Climate Change Mitigation in GEF-5 will generally follow the path of the past 18 years but will be more inclusive than the GEF-4 Strategy and will place more emphasis on transformational impacts, programmatic approaches, and sectoral issues. It will respond to the COP decision requesting the GEF to consider long-term implementation of the Poznan strategic program on technology transfer as well as other existing and emerging decisions related to LULUCF, enabling activities, and capacity building. The strategy will largely focus on commercial technologies and cost-effective opportunities to reduce greenhouse gas emissions in GEF-recipient countries through market transformation, technical assistance, and investments. In terms of GEF's role in the technology development cycle (see **Figure 2**), GEF intervention will focus on the deployment and diffusion of existing and proven technologies, with limited scope for the demonstration and deployment of advanced, pre-commercial technologies.

70. Under the \$5 billion replenishment scenario (\$1.8 billion for Climate Change Mitigation), GEF investments in programs under Objectives 2-5 (energy efficiency, renewable energy, and sustainable transport and urban systems) will be expanded and broadened, building on the past success and emerging experience, with more emphasis on programmatic approaches to achieve large-scale tangible results and GHG impact. The budget for each of these objectives will be between \$350 million and \$400 million each (see Table 2).

71. Given the relatively high capital requirements and limited availability of resources with competing priorities for the majority of GEF-recipient countries, limited opportunities under Objective 1 (demonstration and transfer of advanced low-carbon technologies) will be pursued in a few targeted markets, with an estimated budget of \$350 million.

72. Under the \$9 billion replenishment scenario, the GEF will devote significantly more efforts and resources to technology transfer and supporting advanced low-carbon technologies that have the potential to make a significant impact in GHG reduction in the long-run. In the technology development cycle (**Figure 2**), this means moving more upstream to the stage of demonstration and deployment.

73. Technology transfer under Objective 1 will be pursued in a much more vigorous manner. Out of the \$3.6 billion allocated to Climate Change Mitigation, approximately \$1 billion will be devoted to supporting the development and transfer and advanced pre-commercial technologies (see Table 1). Deployment and transfer of commercial, proven technologies may also be included in countries where limited capacity exists and significant efforts to adapt the technologies to local circumstances are required. The GEF will make concerted efforts to promote international technology cooperation, and North-South and South-South technology transfer, investment in pilot projects, and development and strengthening of local technical and institutional capacity.

74. Furthermore, under the \$9 billion replenishment scenario, synergistic projects and programs will be expanded, such as linkage between climate and chemicals as well as between climate (Objective 5) and the transversal sustainable forestry management (SFM). In particular, the GEF will align the objective of promoting energy efficiency under Climate Change

Mitigation with the support of phase-out of ODS, such as hydrochlorofluorocarbons (HCFCs), that have very high global warming potential. The GEF will promote transition to low-GHG alternatives to HCFCs and other chemicals, and will also encourage synergistic projects with co-benefits for both climate change mitigation and POPs reduction.

75. Under the \$9 billion replenishment scenario, the use of non-grant instruments will also be amplified for climate change mitigation programs (\$160 million is earmarked under “non-grants transformation”, aside from the \$3.6 billion allocation to Climate Change Mitigation.) Historically, non-grant instruments have been mostly – most successfully – used by climate change mitigation projects. The additional non-grant resources will target the private sector to incentivize projects with transformational impacts.

76. With respect to supporting advanced low-carbon technologies, the GEF will build upon its past experience and lessons learned, including with concentrating solar power (CSP) and hydrogen fuel-cell bus (FCB), to accelerate the demonstration, deployment, and transfer of low-carbon technologies of the future. GEF support could take a phased approach, from small-scale demonstration, to scaled-up demonstration, to commercialization and deployment. The technologies and locations needed to be carefully targeted where both market conditions and policy environment are conducive. The GEF could step up its efforts to promote the next phase of intervention to the successfully demonstrated technologies with a view to removing further barriers and bringing the cost down over time toward eventual commercialization.

77. Examples of advanced low-carbon technologies may also include: carbon capture and storage (CCS) for power generation as well as for industrial processes, next-generation biofuels, and electric vehicles. However, the GEF will keep the menu of technologies open to accommodate different priorities given by different recipient countries and the evolving developments of different technologies. The GEF will take a long-term, strategic perspective in supporting low-carbon technologies of the future, and will need to work closely with both the public and private sector in making strategic choices in technologies, regions and countries, and financing schemes.

78. Furthermore, under the \$9 billion replenishment scenarios, significantly more investment in renewable energy is expected, especially in low-income countries to support not only climate change mitigation but also access to modern energy in poor, rural communities and sustainable development. GEF investments in renewable energy will be boosted particularly in sub-Saharan Africa and South Asia where most people especially in rural areas do not have access to electricity and rely on traditional biomass to meet their basic energy needs. GEF investments will also aim to support Small Island Developing States (SIDS) to break away from dependence on imported fossil fuels and move toward an energy structure based on locally available renewable resources. GEF support will cover a wide range of renewable energy technologies, including off-grid and on-grid photovoltaics, solar water heating, wind turbines, geothermal, small hydro, methane from waste, and biomass applications for power and heat production. Appropriately half a billion dollars will be budgeted for promoting investments in renewable energy in GEF-recipient countries.

79. With respect to LULUCF, the GEF will scale up its support to conservation and enhancement of carbon stocks both as one of the key objectives of the Climate Change

Mitigation Strategy and through the cross-cutting SFM. The budget for this will be \$289 million (including \$89 million earmarked for SFM) under the \$5 billion replenishment scenario and \$550 million (including \$250 million earmarked for SFM) under the \$9 billion replenishment scenario.

80. With respect to enabling activities and other capacity building activities, GEF support will ensure that there will be adequate resources to support non-Annex I Parties to meet their obligations under the Convention. The GEF will stand ready to respond to further guidance from the UNFCCC COP15 and beyond related to enabling activities and capacity building. This may include support for development of strategies for nationally appropriate mitigation actions (NAMAs) and establishment of monitoring, reporting, and verification (MRV) systems. Enhanced resources will be provided to such priority enabling activities and capacity building activities. In addition, the GEF may provide support to capacity building activities in the context of the emerging carbon markets and other activities in response to Convention guidance (see para. 62).

81. The estimated budget for enabling activities and capacity building (Objective 6) is \$150 million and \$200 million, respectively, under the two replenishment scenarios. This represents a significant increase in allocation of GEF resources – not only in absolute terms but also in terms of share of total Climate Change Mitigation budget – devoted to enabling activities and capacity building to support GEF-recipient countries to fulfill obligations under the Convention.

82. With respect to the use of global and regional set aside (GRS) set aside under Climate Change Mitigation, the general principle is to target areas and programs that will bring significant transformational impact of global environmental benefits on a regional or global scale but will have limited attractiveness for single countries to prioritize them for support with their country allocations. For example, establishing and implementing international or regional standardization and certification for energy efficient equipment and products may prove to be an effective measure to promote global market transformation and GHG emissions reduction, but the global benefits tend to outweigh the national benefits to single countries, hence justifying the use of GRS resources to support such programs.

83. GEF agencies will be encouraged to discuss project ideas with the GEF Secretariat upstream. It is conceivable that a competitive process be introduced for the use of GRS resources so that the best project ideas will be selected and funded by the GEF. The GEF Secretariat will play an active role in coordinating with GEF agencies and other key stakeholders to initiate regional and global initiatives and programs. Furthermore, in order to encourage countries to participate in global and regional projects and to maximize the impact of limited GRS resources, regional and global projects that pool country allocations may be incentivized with GRS resources.

Table 2: Climate Change Mitigation: Results Framework and Key Outputs under Two Replenishment Scenarios

Objectives	Expected Outcomes	Core Outputs	Key Expected Outputs under \$5 billion Scenario	Key Expected Outputs under \$9 billion Scenario
Total Focal Area Allocation			\$1,800 million	\$3,600 million
Objective 1: Promote the demonstration, deployment, and transfer of advanced low-carbon technologies	<ul style="list-style-type: none"> Enabling policy environment for technology transfer created Institutional and technical capacity strengthened to enhance technology transfer processes Technologies successfully demonstrated, deployed, and transferred 	<ul style="list-style-type: none"> Technologies transferred by country Technology transfer mechanisms established Estimated GHG emissions avoided 	<ul style="list-style-type: none"> \$350 million (15-20%) Small-scale demonstration of 2-4 advanced technologies Technology cooperation and transfer projects implemented in 10-20 countries 	<ul style="list-style-type: none"> \$1,000 million (25-30%) Large-scale demonstration of 5-7 advanced technologies Technology cooperation and transfer projects implemented in 50-60 countries
Objective 2: Promote market transformation for energy efficiency in industry and the building sector	<ul style="list-style-type: none"> Appropriate policy, legal and regulatory frameworks adopted and enforced Institutional and technical capacity for energy efficiency strengthened Sustainable financing and delivery mechanisms established Increased market penetration of energy efficient technologies and products 	<ul style="list-style-type: none"> Energy efficiency policy and regulation in place Investment mobilized Energy saved Estimated GHG emissions avoided 	<ul style="list-style-type: none"> \$350 million (15-20%) 20-30 countries adopting EE policies and initiatives \$1,000 million investment mobilized 	<ul style="list-style-type: none"> \$600 million (15-20%) 30-40 countries adopting policies and initiatives \$2,000 million investment mobilized 10-15 projects implemented linking to ODS and POPs
Objective 3: Promote investment in renewable energy technologies	<ul style="list-style-type: none"> Favorable policy and regulatory environment 	<ul style="list-style-type: none"> Renewable energy policy and 	<ul style="list-style-type: none"> \$400 million (20-25%) 	<ul style="list-style-type: none"> \$800 million (20-25%)

Objectives	Expected Outcomes	Core Outputs	Key Expected Outputs under \$5 billion Scenario	Key Expected Outputs under \$9 billion Scenario
	<ul style="list-style-type: none"> created for renewable energy investments • Technical and institutional capacity for renewable energy strengthened • Increased investment in renewable energy technologies • Increased access to electricity from renewable sources 	<ul style="list-style-type: none"> regulation in place • Households having access to electricity from renewable sources • Investment mobilized • Renewable energy capacity installed • Electricity and heat produced from renewable sources • Estimated GHG emissions avoided 	<ul style="list-style-type: none"> • 20-30 countries adopting RE policies and initiatives • \$1,000 million investment mobilized • 1-2 million kilowatt new RE capacity installed 	<ul style="list-style-type: none"> • 40-50 countries adopting RE policies and initiatives • \$2,000 million investment mobilized • 2-4 million kilowatt new RE capacity installed
<ul style="list-style-type: none"> • Objective 4: Promote energy efficient, low-carbon transport and urban systems 	<ul style="list-style-type: none"> • Institutional and technical capacity for low-carbon transport and urban systems strengthened • Sustainable transport and urban policy and regulatory frameworks adopted and implemented • Innovative technologies, practices, and financing mechanisms introduced • Increased investment in less-GHG intensive transport and urban systems 	<ul style="list-style-type: none"> • Cities participating in low-carbon programs • Public awareness campaigns completed • Investment mobilized • Energy saved • Estimated GHG emissions avoided 	<ul style="list-style-type: none"> • \$350 million • (15-20%) • 50-100 cities initiating low-carbon programs • \$1,000 million investment mobilized 	<ul style="list-style-type: none"> • \$700 million • (15-20%) • 100-200 cities initiating low-carbon programs • \$2,000 million investment mobilized • • •

Objectives	Expected Outcomes	Core Outputs	Key Expected Outputs under \$5 billion Scenario	Key Expected Outputs under \$9 billion Scenario
	<ul style="list-style-type: none"> Public awareness raised about climate change 			
<p>Objective 5: Conserve and enhance carbon stocks through sustainable management of land use, land-use change, and forestry</p> <ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Institutional capacity and enabling environment created for conservation and enhancement of carbon stocks Good management practices in LULUCF adopted both within the forest land and in the wider landscape Restoration and enhancement of carbon stocks in forests and non-forest lands, including peatland Sustainable financing mechanisms established 	<ul style="list-style-type: none"> Carbon stock monitoring systems established Forests and non-forest lands under good management practices Estimated GHG emissions avoided and carbon sequestered 	<p>\$200 million (8-12%) (plus \$89 million SFM)</p> <ul style="list-style-type: none"> Capacity building and demonstration or investment projects implemented in 30-40 countries 	<p>\$300 million (8-12%) (plus \$250 million SFM)</p> <ul style="list-style-type: none"> Capacity building and demonstration or investment projects implemented in 40-50 countries with expanded scope
<p>Objective 6: Continue to support enabling activities and capacity building</p>	<ul style="list-style-type: none"> Adequate resources allocated to support enabling activities and capacity building under the Convention Human and institutional capacity of recipient countries strengthened Priority projects and programs identified by countries implemented 	<ul style="list-style-type: none"> Countries receiving GEF support for NCs, TNAs, NAMAs, etc. NCs/TNAs/NAMAs completed and submitted to the UNFCCC as appropriate 	<p>\$150 million (5-10%)</p> <ul style="list-style-type: none"> All eligible countries undertaking enabling activities and capacity building in accordance 	<p>\$200 million (5-10%)</p> <ul style="list-style-type: none"> All eligible countries undertaking enabling activities and capacity building in accordance with COP

Objectives	Expected Outcomes	Core Outputs	Key Expected Outputs under \$5 billion Scenario	Key Expected Outputs under \$9 billion Scenario
			with COP guidance	guidance with additional support

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INTERNATIONAL WATERS

84. Water is the lifeblood of our planet. Human life depends on freshwater, and the Earth's climate and its habitability depend on ecosystem and climate services from the ocean. With 70 percent of the Earth being ocean and 60 percent of the land lying in cross-border surface and groundwater basins, most water systems on Earth are transboundary – and thus are at the heart of the GEF International Waters (IW) mandate. These water systems, that know no boundaries, produce food for global trade and domestic use, power industry and economies, quench thirst, and nourish the ecosystems that support life. Globally, these systems are overused, over-polluted, and suffer from serious transboundary and national governance failures.

85. As human populations and economies grow, demands for water escalate, resulting in conflicting uses among states with more degraded quality water and depleted water supplies. The ultimate result is that community security is at greater risk and mass migrations will become more frequent. On top, changes in water driven by changes in climate and climatic variability deepen poverty, reduce food supplies, damage health and further threaten human settlements. These changes will only lead to new tensions among states on freshwater and ocean use as security threats heighten from mass migrations of humans away from depleted water sources and degraded, overfished coasts. Collective action among states is critical now to address these multiple stresses, including climatic variability and change, if communities are to benefit and actual on-the-ground results are being sought.

86. The GEF serves a unique role in building trust and confidence among states for catalyzing collective management of these large water systems while providing benefits for environment, food production, economic development, community health, and regional stability. The GEF IW focal area has shown that cooperation among states on water, fisheries, and environment serves as a new pathway to secure these benefits for multiple users and that the demonstration of appropriate technologies can catalyze investments for on-the-ground results. The challenges of climate and climate change add an additional impetus to the GEF work on water and ocean resources, especially as transboundary cooperation suffers most from “market failure” in tough times.

87. As recommended by OPS3 years ago, the time is at hand to scale-up funding in the GEF IW focal area to achieve results on-the-ground before conditions become irreversible. Although not implemented in GEF4 due to reduced funding to the GEF IW area compared to GEF3, GEF5 presents a crucial opportunity to scale up on-the-ground results for freshwater basins, aquifers, and marine systems. Beyond GEF4 priorities, new imperatives in International Waters relating to climatic variability and change must be integrated into mainstream work to produce actual on-the-ground results. Through GEF-supported foundational capacity building the last decade, many states are now ready to move forward in scaling up on-the-ground results contributing to MDGs and WSSD targets while incorporating climatic variability. The momentum of state political will for up-scaling globally will be lost if replenishment of the IW focal area is inadequate.

Summary of GEF5 Strategy

88. The GEF5 strategy for IW follows the successful approach described in the OPS4 review with progressive programming of GEF resources accompanying progressive multi-state commitments to collective action. This strategy builds on the foundational capacity built and pilot scale work accomplished in GEF 3 and 4 and proposes to scale-up on-the-ground results given sufficient resources. GEF operations would help catalyze initial implementation of multi-state agreed Strategic Action Programmes with shared visions for specific transboundary surface and groundwater systems or Large Marine Ecosystems while also incorporating capacity building and knowledge generation to address climatic variability and change. With greater funding levels, more on-the-ground results would be achieved along with greater likelihood of national and local governance reforms being enacted as part of programmatic approaches in the focal area. With less funding, less results would be catalyzed, and the scaling-up for measureable impacts may not be feasible.

89. Concerns of droughts and floods would now be incorporated into transboundary surface and groundwater basin IW projects through Integrated Water Resources Management (IWRM) approaches that link aquifers and surface water basins. Likewise, for Large Marine Ecosystems (LMEs) and their coasts, concerns related to coastal climatic variability, sea-level rise, and ecosystem resilience, would be incorporated through governance reforms at the LME level as well as in Integrated Coastal Management (ICM) at local levels, including environmental flows where needed in linked freshwater systems.. Lessons from previous GEF IW projects show that climatic variability must now be included as a priority transboundary concern along with the other multiple drivers of depletion and degradation if on-the-ground impacts are really being sought. Two programming objectives are included to accomplish this strategy of moving from planning and confidence-building on collective action to on-the-ground results in GEF5. One of the objectives relates to transboundary surface water basins and aquifer systems while the other covers LMEs and their coasts.

90. Beyond this focus on implementation of agreed action programmes, a third programming objective relates to requests from states to begin foundational capacity building for new transboundary water systems not addressed by GEF in the past. Limited funding would be provided for processes pioneered by GEF to build trust and confidence among states so that they may work together collectively on their transboundary water systems. Modest process-related and capacity building outcomes are generated much as enabling activities are funded in other GEF areas. Objective 3 covers these “new starts” that are in high demand. Also under Objective 3 would be enhanced experience sharing/learning for the GEF IW portfolio and the first real IW program for targeted research (with quite urgent needs given the new imperative of addressing climatic variability and change in these complex water systems along with other water and ocean issues). Two additional objectives would be included for the larger Replenishment scenario. The detailed results framework for the IW focal area is included in Table 1.

Programming for Replenishment Scenarios

91. Depending on Replenishment levels, different strategies would be pursued in GEF IW programming. Table 3 illustrates that three IW objectives are proposed for the \$5 billion Replenishment scenario (\$500 million IW) while 5 objectives can be proposed for the \$9 billion

scenario (\$800 million IW). With the high scenario, the focal area would be able to help states avoid more conflicts in water use, prevent more water pollution, protect more drinking water aquifers for use in droughts, and introduce more widespread reforms for reversing marine fisheries depletion. This scaling-up would include programmatic approaches and multiple GEF focal area collaboration. Innovative partnerships with the business community would be supported both by the focal area and the GEF Earth Fund for broader scale and maximum impact. Adaptive management to incorporate climatic variability and change into integrated approaches for surface, groundwater, and marine ecosystems and management regimes would have a better chance for success with additional funding under this scenario. More states would be able to move closer to meeting the relevant WWSO targets for marine fisheries/ecosystems.

92. Under constrained funding, IW will have to focus on catalyzing the many Strategic Action Programmes that are waiting in line for GEF funding to initiate implementation and foster legal arrangements while incorporating capacity building related to climatic variability and change and groundwater aquifers. Programmatic approaches would be limited, with existing ones as priority for completion. Fewer new starts would be possible for foundational capacity building for new transboundary systems or for targeted/cooperative research.

Details - \$9 billion Replenishment Scenario (\$800 million IW)

93. With 149 states collaborating on transboundary water systems through GEF foundational activities, a pent-up demand for implementation of two dozen Action Programmes has been created. This scenario would allow support for programmatic approaches to scale-up investments and reforms (per OPS3) while retrofitting understanding of climatic variability and demo-scale action on adaptive management. Concerns of floods and droughts would be incorporated through Integrated Water Resources Management (IWRM) with surface basins and aquifers fully integrated for sustainable management and water quality purposes, filling a glaring gap in the WSSD target for IWRM. Special programmatic approaches for transboundary river and aquifer systems of West Africa and for the Great Lakes Region illustrate the expected GEF5 IW emphasis on Africa. Likewise, for Large Marine Ecosystems and coasts, fluctuating fisheries, coral reef bleaching, sea-level rise, coastal storm vulnerability, management of coastal hypoxia ('dead zones'), salt-water intrusion, and perhaps acidification resilience would be incorporated into LME governance and Integrated Coastal Management (ICM) while assisting states toward the WSSD 2010/2015 marine targets. Greater on-the ground impact in terms of more significant demo projects for marine systems, stakeholder and Parliamentary involvement, national and local policy, legal, institutional reforms, and a focus on enforcement of legal regimes would also be delivered under enhanced Objective 2.

94. Integrated projects across focal areas will be pursued through country programming and programmatic approaches to benefit transboundary waters, with specific multi-focal initiatives for SFM in priority transboundary catchments and groundwater recharge areas, reduction of pollution from endocrine disruptors, and improved management of marine areas beyond national jurisdiction (overfishing and damaging practices/gear) as examples of joint approaches. For Objective 1, scaling up of catchment forests protection would need to be targeted to basins with national commitments to action in transboundary waters and where the intervention can assist in the scaling up of on-the-ground implementation. The pent-up demand for learning/capacity enhancement in the GEF IW portfolio and targeted/collaborative research to address globally

significant issues will finally receive needed funding along with foundational capacity building for states to address new transboundary water systems in IW Objective 3.

95. Of critical importance will be new, exciting partnerships with the business community that would be supported both by the focal area and the GEF Earth Fund for maximum impact to underpin Objectives 1 and 2. A “Save the Source” platform with industry on water use efficiency and water foot-printing, a “Rebuilding Ocean Fish Stock” platform with banking/fishing/import/export/food industries, a “Revitalizing Dead Zones” platform with agribusiness related to nitrogen pollution, and a “Sustainable Shipping” platform with the maritime transport industry have the potential to stimulate global impacts. Before it is too late, funding must be devoted to sustaining the capacity of Large Marine Ecosystems and their coastal waters to assimilate carbon, and the business community must contribute.

96. Table 3 outlines Objectives 4 and 5 that can be pursued with higher levels of funding and cooperation with the BD and Chemicals areas of GEF. Objective 4 relates to a joint program with BD to promote effective management of marine Areas Beyond National Jurisdiction (ABNJ) directed at preventing fisheries depletion, use of proper gear, management regimes, and MPAs. Depletion of these areas, including seamounts, is now reaching crisis proportions to fuel international trade. Objective 5 relates to a joint pilot demonstration program with Chemicals to test effectiveness of policies, innovative instruments, and technologies for reducing releases of persistent toxic substances, particularly those exhibiting endocrine disruption (“gender benders”), because they damage human health---particularly children-- and ecosystem integrity. Enhanced outcomes associated with the \$ 9 billion Replenishment appear in “italics” in Table 3.

Details: \$5 billion Replenishment Scenario (\$500 million IW).

97. With less funding included in this Replenishment scenario (only marginally more than GEF3), the IW area will focus on catalyzing initial implementation of the many Strategic Action Programmes that are waiting in line for GEF funding while incorporating capacity building to address climatic variability and change. With less funding to catalyze investments, less on-the-ground impact will result in transboundary freshwater systems. Programmatic approaches would be limited, with completion of existing ones being priority, and no contribution would be made to the SFM program. Fewer new starts could be supported for foundational capacity building requested by states for new transboundary basins, aquifers and LMEs along with less support for the needed targeted research on priority IW topics.

98. Three objectives are proposed for this scenario of constrained funding as noted in Table 3. Multiple focal area programmes would not be a priority. No separate objectives are proposed for: (a) improving management to reverse depletion of the marine commons known as Areas Beyond National Jurisdiction (ABNJ)-joint with BD or (b) reducing endocrine disruptors (joint with Chemicals), although some programming for ABNJ will be needed even with reduced funding to stem accelerated depletion of fisheries. With reduced funding, focus must be maintained on completing the backlog of requests to initiate implementation of up to 20 agreed Strategic Action Programmes resulting from GEF foundational capacity building and solidifying legal/institutional arrangements for joint, multi-state commitments to action.

Table 3: International Waters: Results Framework and Key Outputs under Two Replenishment Scenarios

*Outcomes in “*italics*” are enhanced as a result of additional funding with the \$9 billion Scenario

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

	Expected Outcomes	Core Outputs	Key Expected Outputs under \$5 billion Scenario	Key Expected Outputs under \$ 9 billion Scenario
Total Focal Area Allocation			\$500 million	\$800 million
Objective 1: Catalyze multi-state cooperation to balance conflicting water uses in transboundary surface and groundwater basins while considering climatic variability and change	<ul style="list-style-type: none"> IWRM principles incorporated into management frameworks and national plans that consider climatic variability and change (including SIDS) Sustainable institutions for collective and adaptive management of shared water systems SAP implementation supported by monitoring networks, stakeholders, and institutional/legal capacity Innovative solutions demonstrated for reduced water use, reduced pollution, sustainable fisheries, IWRM, groundwater protection, <i>and catchment/ recharge area forests protection.</i> 	<ul style="list-style-type: none"> Updated Strategic Action Programmes (SAP) reflect adaptive management and surface/groundwater considerations Financially sustainable water resource policy and legislative frameworks Completed demonstration projects, including environmental flows and aquifer quality/quantity protection For SIDS, completed demonstration projects for protecting surface and groundwater drinking supplies 	(\$150-180 mil) *Implementation initiated with some scaling-up of on-the-ground results in up to 10 transboundary systems and capacity built on climatic variability and groundwater	(\$225-275 mil) * Implementation initiated with some scaling-up of on-the-ground results in 10 transboundary systems and capacity built on climatic variability and groundwater *SIDS global network on drinking water source protection *SFM collaboration in IW priority catchments as part of scaling-up

	Expected Outcomes	Core Outputs	Key Expected Outputs under \$5 billion Scenario	Key Expected Outputs under \$ 9 billion Scenario
	<ul style="list-style-type: none"> • <i>For SIDS, innovative demonstrations show benefits for human health and drinking water protection*</i> • <i>Livelihood benefits demonstrated and states replicate demos (benefits disaggregated by gender)</i> 	<ul style="list-style-type: none"> • GEF IW and Earth Fund platforms 		
Objective 2: : Catalyze multi-state cooperation to rebuild marine fisheries and reduce pollution of coasts and Large Marine Ecosystems while considering climatic variability and change	<ul style="list-style-type: none"> • ICM principles incorporated into political and legal commitments to new or updated LME adaptive management institutions, regimes, SAP or ICM plan that considers climatic variability & change • Sustainable institutions and management frameworks • SAP implementation supported by monitoring networks, stakeholders and institutional/legal capacity • <i>Innovative solutions demonstrated by private sector and communities: reduced pollution, sustainable fisheries, habitat restoration, ICM application</i> • <i>Livelihoods benefit demonstrated and states replicate demos (benefits disaggregated by gender)</i> 	<ul style="list-style-type: none"> • Updated Strategic Action Programmes (SAP) and ICM plans reflect adaptive management • Financially sustainable coastal and marine policy and legislative frameworks • Completed demonstration projects, including those linking freshwater basins with coastal waters under the GPA, including needed environmental flows • GEF IW and Earth Fund platforms 	(\$200-240 mil) * Implementation initiated with some on-the-ground scaling-up for up to 10 LMEs with ICM included	(\$240-300 mil) * Implementation not only initiated but enhanced with on-the-ground scaling-up for at least 10 LMEs with ICM included with impact of the rebuilding of global fish stocks *Fisheries, “Dead Zone”, and shipping platforms working and resulting in global policy impact *Arctic LMEs focus prevents further fisheries depletion

	Expected Outcomes	Core Outputs	Key Expected Outputs under \$5 billion Scenario	Key Expected Outputs under \$ 9 billion Scenario
Objective 3: Support foundational capacity building, portfolio learning, and targeted research needs for collective, ecosystem-based management of transboundary water systems	<ul style="list-style-type: none"> Enhanced understanding/consensus: transboundary water concerns, including climatic variability and change, by regional, national, and local stakeholders Increased political commitment and institutional capacity for collective action on transboundary waters Transboundary water management priorities incorporated into national planning frameworks • <i>Benefits demonstrated from water and fish pilots</i> <i>IW portfolio performance enhanced from learning/KM</i> • <i>Significant research results for reefs, nutrient reduction, environmental flows, and water-climate tools used by IW projects</i> 	<ul style="list-style-type: none"> National inter-ministry committees established and functioning Strategic Action Programmes (SAP) with shared visions based on Transboundary Diagnostic Analyses agreed by ministers and successful local pilot demonstrations. <ul style="list-style-type: none"> • IW portfolio experience sharing and learning incorporated into a KM system for building capacity of the portfolio, including climate-water tools developed. <ul style="list-style-type: none"> • Global research networks contribute to GEF KM 	(\$90-125 mil) *10-11 successful new starts for countries requesting foundational capacity building for their transboundary water systems with some demo scale results	(\$125-165 mil) *13-15 successful new starts for transboundary water systems with enhanced demo scale results *Targeted research results impact global thinking in areas of coral reefs, nutrient reduction, environmental flows, and water-climate tools *IW Portfolio experience sharing/learning/KM impacts non-GEF global water & ocean programs
Objective 4: Promote effective management of Marine Areas Beyond National Jurisdiction directed at preventing fisheries	<ul style="list-style-type: none"> <i>Political commitments made to conserve ABNJ with targeted areas, including seamounts under effective management regimes/ MPAs</i> <i>Improved flag-state monitoring and</i> 	<ul style="list-style-type: none"> Pilot institutions and demos for ABNJ MPAs and MMAs in open oceans, including seamounts 	(\$ 0)	(\$40-75 mil) *Output/outcomes only with \$9 bil

	Expected Outcomes	Core Outputs	Key Expected Outputs under \$5 billion Scenario	Key Expected Outputs under \$ 9 billion Scenario
depletion --joint with GEF Bodi Area	<i>control of fishing practices</i> <ul style="list-style-type: none"> • <i>Results of GEF pilot testing influence adoption of ABNJ regimes</i> 	<ul style="list-style-type: none"> • Partnerships with business and industry 		scenario
Objective 5: Undertake pilot-scale demonstrations of pollution reduction from Persistent Toxic Substances, especially endocrine disruptors-- joint with Chemicals	<ul style="list-style-type: none"> • <i>Reduced human and ecosystem health risks from PTS</i> • <i>Pollution prevention for PTS adopted in private sector</i> • <i>Experience base established for prioritizing endocrine disruptors in GEF-6 programming.</i> 	<ul style="list-style-type: none"> • Avoided releases of PTS in local demonstrations • Policies tested and adopted • Partnerships with business and industry 	(\$ 0)	(\$25-40 mil) *Output/outcomes only with \$9 bil scenario

DRAFT

LAND DEGRADATION

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

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

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

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

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

104. This allocation would constitute a significant increase for compared to GEF-4, which would allow the GEF to move from a pilot and demonstration approach to sustainable land management to a more strategic and focused approach to resources use for SLM based on country capacities. With the notion in GEF-5 to support country programming, for countries with larger allocations, including in the land degradation focal area, a programmatic approach to

natural resources would be the appropriate modality to trigger transformational changes in the agricultural and forest sectors and to stronger link GEF investments to large-scale impacts. Countries in which programmatic approaches have been already piloted in earlier replenishment periods such as China or India, might consolidate and even expand these approaches in GEF-5. Countries involved in regional approaches to sustainable land management, such as TerrAfrica/SIP, MENARID and CACILM might – depending on their country resources allocation – renew or modify their commitment to these programs by emphasizing more the national activities and lighten regional program structures. This approach would be fully in line with the principles of the STAR, country-drivenness and a more efficient and effective allocation of GEF-5 resources.

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

106. During GEF-3 and GEF-4, investments in the LD FA supported at least 40 of an estimated 100 countries affected globally by land degradation (desertification and deforestation) for implementing SLM policies and practices to generate GEBs. The demand for resources during both replenishment phases far exceeded what was allocated to the focal area, and we expect that countries will increasingly need to address land degradation challenges in the context of agricultural production to meet the need of growing populations. The recent IAASTD⁹ noted that increasing rates of land degradation in many regions may limit the ability of agro-ecosystems to provide food security. A likely consequence of this scenario is increased clearance and fragmentation of natural habitats leading to further destabilization of ecosystems, loss of biodiversity, and increased risk of greenhouse gas emissions through deforestation and fires. As we look ahead to GEF-5, it is essential that the GEF strengthen its role a financing mechanism to help position countries in their effort to address these challenges as a fundamental aspect of sustainable development.

107. The GEF will need to strengthen its role in two major ways in order to effectively combat land degradation, stabilize ecosystem services and reduce livelihood vulnerability of rural populations. First, the GEF must step-up its contribution to country and regional efforts in building effective enabling environments for SLM at multiple scales. An increased allocation will allow the GEF to pursue its mandate of generating GEBs in the context of supporting national and regional development priorities in the coming decade, including institutional strengthening in agriculture, rangeland, and forest management, and cross-sector collaboration. Second, the GEF must scale-up its investment through comprehensive and integrated approaches

⁹ International Assessment of Agricultural Knowledge, Science and Technology for Development, 2009 (supported by World Bank and FAO)

that cover increasingly larger geographical areas. Improved management of agro-ecosystems and forest landscapes over larger geographical areas will safeguard soil and water resources, increase carbon stocks¹⁰ and reduce emissions, and protect biodiversity. In the case of drylands, the large surface area also makes them an important target for carbon storage¹¹ and sequestration. The benefits of reducing carbon emissions through SLM will help position GEF to play an influential role in future financing options for climate change mitigation in agriculture.

Programming for Replenishment Scenarios

108. A higher allocation for the LD FA in GEF-5 will enable GEF to meet the demands for balancing investments in SLM practices with the need for strong enabling environments at national and regional level. Table 1 summarizes what can be realistically pursued in the GEF-5 strategy based on proposed allocations under the two replenishment scenarios. An allocation of **\$500 million** will allow for GEF to invest in SLM interventions to generate measureable GEBs (improve provisioning of ecosystems services, reduce GHG emissions, and conserve biodiversity) in agro-ecosystems and forest landscapes while providing direct benefits for human livelihoods. However, the projects will only involve the few countries that already have or are developing appropriate enabling conditions for SLM and SFM, including policy frameworks, investment strategies, and regulatory mechanisms. This means four of the proposed 10 outcomes in the LD FA strategy will not be pursued. Under this scenario, GEF will catalyze SLM and SFM projects to cover at least 500 million hectares of production landscapes, including affected lake and river basins, and drylands in GEF-eligible countries, with potential to benefit one billion smallholder farmers and pastoralists.

109. An allocation of **\$800 million** will position GEF to pursue all 10 outcomes proposed in the LD FA strategy. It will enable GEF to address land degradation challenges in a comprehensive, integrated, and multi-scale fashion to ensure sustainability of SLM interventions, including support for creating appropriate enabling environments. Under this scenario, GEF projects will cover at least one billion hectares of production landscapes, including affected lake and river basins, and drylands in GEF-eligible countries, with potential to benefit two billion smallholder farmers and pastoralists. The GEF will help to position GEF-eligible countries for effective implementation of the 10-year UNCCD strategy, scaling-up of SLM innovations, and mobilizing baseline knowledge and tracking tools for long-term monitoring and assessment of impacts and trends. This will enable countries to step-up efforts on mainstreaming SLM and SFM as cross-sector opportunities for economic development, including efforts to increase food security and income generation in rural areas.

¹⁰ In 2000, the IPCC estimated that feasible improvements in cropland management, grazing land management, agroforestry, and rice systems within existing land uses could increase carbon stocks by 125, 240, 25, and 7 MtC per year by 2010.

¹¹ The Millennium Ecosystem Assessment (2005) estimated that the total dryland soil organic carbon reserves comprise 27% of the global soil organic carbon reserve.

Table 4: Land Degradation: Results Framework and Key Outputs under Two Replenishment Scenarios

Strategic Objectives	Expected Outcomes	Core Outputs	Key Expected Outputs and Results under \$5 Billion Scenario	Additional Key Expected Outputs and Results under \$9 Billion Scenario
Total Focal Area Allocation			\$500 million Allocation	\$800 million Allocation
SO 1. Maintain or improve flow of agro-ecosystem services to sustaining the livelihoods of local communities	<p>1.1: An enhanced enabling environment within the agricultural sector.</p> <p>1.2: Improved agricultural management.</p> <p>1.3: Functionality and cover of agro-ecosystems maintained</p> <ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Countries have policy, legal and regulatory frameworks that integrate SLM principles • SLM interventions supported through diverse sources of investment at multiple scales • SLM innovations reaching target populations through agricultural extension services • SLM contributing to increased productivity of agro-ecosystems and sustained ecosystem services • Local communities harnessing benefit from improved land management and agro-ecosystems services 	<p>\$250 million Allocation</p> <ul style="list-style-type: none"> • Increased application and diversity of sustainable crop and livestock management technologies and good practices (by stakeholder group) • Increase in land area where improved agricultural, land and water management practices are adopted • Diversity of investment sources in sustainable agriculture (e.g. PES, small credit schemes, voluntary carbon market) • Land cover under sustainable agriculture increased • Reduction in GHG emissions from agriculture (CO₂, NH₄, N₂O) demonstrated in target areas • Inventory of key endemic/flagship species in agricultural landscape 	<p>\$350 million Allocation</p> <ul style="list-style-type: none"> • Agricultural policy, legal and regulatory frameworks that integrate SLM principles developed • Agricultural extension services reach targeted population with targeted messages • Information on agricultural technology and good practices disseminated and used • Diversity of sustainable crop and livestock management technologies and good practices (by stakeholder group) •

Strategic Objectives	Expected Outcomes	Core Outputs	Key Expected Outputs and Results under \$5 Billion Scenario	Additional Key Expected Outputs and Results under \$9 Billion Scenario
			<ul style="list-style-type: none"> maintained 	
<p>SO 2. Generate sustainable flows of forest ecosystem services in arid, semi-arid and sub-humid zones, including sustaining livelihoods of forest dependant people</p>	<p>2.1: An enhanced enabling environment within the forest sector.</p> <p>2.2: Improved forest management.</p> <p>2.3: Functionality and cover of forest ecosystems in arid, semi-arid and sub-humid zones maintained.</p>	<ul style="list-style-type: none"> • Countries have policy, legal and regulatory frameworks that integrate SFM principles • SFM interventions supported through diverse sources of investment • SFM opportunities reaching target populations through forest-relevant extension services and institutions • SFM contributing to increased or sustained flow of forest ecosystem services • Local communities harnessing benefit from improved forest landscape management 	<p>\$25 million</p> <ul style="list-style-type: none"> • Increased application and diversity of sustainable forest management technologies and good practices (by stakeholder group) • Increase in land area where improved forest management practices are adopted • Diversity of investment sources in sustainable forest management (e.g. PES, small credit schemes, voluntary carbon market) • Maintained forest and tree cover • Reduction in GHG emissions from deforestation achieved in target areas • Inventory of key endemic/flagship species in forest ecosystems maintained 	<p>\$75 million</p> <ul style="list-style-type: none"> • Forest policy, legal and regulatory frameworks that integrate SFM principles developed • Forest-relevant extension services and institutions reach targeted population with targeted messages • Information on SFM technology and good practices disseminated and used •

Strategic Objectives	Expected Outcomes	Core Outputs	Key Expected Outputs and Results under \$5 Billion Scenario	Additional Key Expected Outputs and Results under \$9 Billion Scenario
SO 3. Reduce pressures on natural resources from competing land uses in the wider landscape	<p>3.1: Enhanced enabling environments between sectors in support of SLM.</p> <p>3.2: Good management practices in the wider landscape demonstrated and adopted by relevant economic sectors.</p>	<ul style="list-style-type: none"> • Government agencies collaborating on SLM initiatives across sectors and at multiple scales • Effective coordination among sector extension services or related institutions on SLM initiatives • SLM interventions supported through successfully tested sustainable finance reflow schemes and innovative financing mechanisms (e.g. avoided deforestation or other PES) • Information on SLM (wider landscape) technology and good practices disseminated and used 	<p>\$200 million Allocation</p> <ul style="list-style-type: none"> • Land area with demonstration activities by sector, (incl. agriculture, forestry,) increased • Diversity of investment sources in SLM from successfully tested sustainable finance reflow schemes (e.g. avoided deforestation or other PES) • Land cover maintained or increased in production landscapes • GHG emissions from land cover changes avoided 	<p>\$300 million Allocation</p> <ul style="list-style-type: none"> • Coordinated and harmonized policies among relevant sectors in place • Increased coordination among sector extension services or related institutions • Number of agreements between ministries formally collaborating to support SLM increased • Information on SLM (wider landscape) technology and good practices disseminated and used •
SO 4. Increase capacity to apply adaptive management tools in SLM	<p>4.2 Improved project performance using new and adapting existing tools and methodologies</p> <p>4.1 Increased capacities of</p>	<ul style="list-style-type: none"> • Countries meeting commitments to the UNCCD, including achievement of targets in the approved UNCCD 	<p>\$25 million Allocation</p> <ul style="list-style-type: none"> • GEF-6 LD focal area strategy reflects lessons learned and results of targeted research portfolio 	<p>\$75 million Allocation</p> <ul style="list-style-type: none"> • National reports (NR) with verifiable information on UNCCD action program implementation process and

Strategic Objectives	Expected Outcomes	Core Outputs	Key Expected Outputs and Results under \$5 Billion Scenario	Additional Key Expected Outputs and Results under \$9 Billion Scenario
	countries to fulfill their obligations in accordance with the provisions provided in the UNCCD.	<p>10-year Strategic Plan</p> <ul style="list-style-type: none"> • Global and country-level knowledge resources available for monitoring and assessment of SLM interventions • GEF projects financed through the LD FA reflect emerging knowledge from targeted research projects or projects with targeted research component • LD FA systematically synthesize lessons learned and results of targeted research and project implementation from earlier replenishment periods 	<p>and implementation results from earlier replenishment periods</p> <ul style="list-style-type: none"> • Increase in GEF projects financed through the LD FA that take up emerging knowledge from targeted research projects or projects with targeted research component 	<p>suggestions for adaptive measures for enhanced implementation.</p> <ul style="list-style-type: none"> • GEF projects financed under SO-1, SO-2, and SO-3 address priorities identified in UNCCD action programs and NR process. •

CHEMICALS

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

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

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

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

114. Taking these developments into account, the GEF-5 strategy for chemicals builds upon the GEF-4 strategies for POPs, ozone layer depletion, and sound chemicals management, and seeks to maximise global environmental benefits and strengthen the value added at the country level of GEF interventions in the chemicals sphere. The role and mandate of the GEF as financial mechanism to the Stockholm Convention is central to this effort, as well as the continued support that the GEF provides to assist Countries with Economies in Transition (CEITs) to meet their obligations under the Montreal Protocol.

115.

116. The three following objectives are identified for Chemicals under GEF-5 and are detailed in the Table:

- (a) Invest and build capacity for POPs reduction;
- (b) Invest and build capacity for protection of the ozone layer; and
- (c) Pilot sound chemicals management and mercury reduction

117. The proposed GEF-5 objectives will facilitate the GEF's response to the demands of the Stockholm Convention [...]to support those activities identified as priorities in NIPs which promote capacity building in sound chemicals management, so as to enhance synergies in the implementation of different multilateral agreements [...], as well as to the obligations that arise to eligible countries from the Montreal Protocol, as appropriate. This set of objectives also allows the GEF to be well positioned to respond to other international agreements, such as the SAICM or the mercury agreement that is being developed, should additional resources be available.

118. Global and Regional Set-Aside (GRS)

119. Countries will be able to access the global and regional set-aside funds (GRS) to implement enabling activities for an amount up to \$500,000 on an expedited basis, including for support to developing or updating NIPs and national reports.

120. The remaining funds in GRS will be used to address supra-national priorities or to incentivize countries to participate in regional or multi-country projects where . Projects supported with GRS funds will meet some or all of the following criteria: (i) relevant to the objectives of GEF's strategy for POPs; (ii) support priorities identified by the COP of the Stockholm Convention; (iii) high likelihood that the project will have a broad and positive impact on POPs reduction; (iv) potential for replication; and (v) global demonstration value. An incentive system would operate for regional projects whereby participating countries would receive one dollar from the GRS for every three dollars (at least) dedicated to a project from their national allocation.

Programming for Replenishment Scenarios

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

122. The GEF-5 programming document for consideration of the replenishment participants envisages two scenarios, with envelopes for chemicals suggested at the levels of \$500 million and \$800 million for the \$5 billion and \$9 billion scenarios, respectively. Bearing in mind that the final replenishment level and focal area envelop allocations is a decision to be yet to be taken by the replenishment participants, this section provides an estimate of how the scope and depth of activities is affected by the two funding scenarios.

123.

124. Scenario 1: \$500 million allocated to chemicals. Under this scenario, as a guide, it is proposed that the distribution of resources would be as follows:

- POPs: \$450m; and
- Ozone: \$50 million.

125. This represents an increase of 57% compared to the GEF-4 allocation of \$319 million available for programming under the POPs and ozone layer depletion focal areas. The support required for countries to meet their obligations under the Montreal Protocol, in particular as relates to HCFCs, is expected to remain relatively modest. An allocation of \$50 million would also allow funding for pilot ODS destruction projects, in synergy with POPs and International Waters programs.

126. The expectation is that demand for POPs resources will be high, as evidenced by the “Needs Assessment” recently conducted under the Stockholm Convention and through the unmet demand for GEF support under GEF-4 apparent in POPs task force discussions. The addition of nine new POPs by the Conference of the Parties (COP) at its last meeting only compels the argument. Therefore, with a resource envelop of \$500 million, it is expected that resources would be available for support to the Stockholm Convention and Montreal Protocol only, and would not be available for support to the SAICM or the development of the mercury treaty.

127. Regarding POPs, the GEF would continue its work in support of Convention objectives, in particular PCB phase out and disposal, and removal and disposal of obsolete pesticides. Assuming a comparable level of effort, and based on a crude extrapolation from preliminary figures of anticipated GEF-4 achievements, these efforts would target around 20,000 tons of obsolete pesticides, including POPs pesticides, and 40,000 tons of PCB-related waste and contaminated equipment. As was planned in the GEF-4 strategy, it is expected that the increase of resources would allow to make headway on the reduction of releases of un-intentionally produced dioxins and furans from industrial and non-industrial sources. Capacity would be build at various levels in the context of these efforts, in specific sectors as well as more generally.

128. Indirect support to SAICM and other agreements would continue through the GEF strategy, made explicit in the GEF-4 strategic framework, to provide support to Stockholm Convention and Montreal Protocol implementation while building upon and contributing to strengthening a country’s foundational capacities for sound management of chemicals more generally.

129. Scenario 2: \$800 million allocated to “chemicals.” Under this scenario, as a guide, it is proposed that the distribution of resources would be as follows:

- POPs: \$650m;
- Ozone: \$50 million; and
- Support to mercury and sound chemicals management including SAICM: \$100 million.

130. The level of activities envisaged in support of the Montreal Protocol would be similar to that of the previous scenario. The additional resources available for POPs would also allow to start addressing the challenges posed by the “new” POPs recently added under the control of the Convention.

131. Regarding mercury, it is anticipated that, just as it did for POPs, the GEF would support assessment-type activities and demonstrations of good practices for alternatives or mercury release reduction whilst the treaty is negotiated, so that there is experience built in recipient countries and that the GEF partnership and the international community are ready for implementing the treaty when it is adopted. This is similar to the range of activities that the GEF supported in the years leading to, and during, the negotiations for the Stockholm Convention.

132. Regarding SAICM, the GEF, in keeping with its mandate, would support those SAICM “concrete measures” that generate global environmental benefits. Activities and work areas that could receive GEF incremental support because of their transboundary aspects include those related to technology transfer and pollution prevention; pesticides management; capacity building with regards legislative and regulatory framework and enforcement; adaptation with regards chemicals; protected areas; contaminated sites; heavy metals; waste minimisation and disposal; information exchange and illegal traffic.

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Table 5: Chemicals: Results Framework and Key Outputs under Two Replenishment Scenarios

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

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

Input and overview		\$500 million POPs: \$450 m Similar level of effort as under GEF-4 for PCBs and obsolete pesticides. Increased effort on implementation of BAT/BEP for dioxins release reduction Ozone: \$50 million To meet Montreal Protocol obligations in CEITs	\$800 million POPs: \$650 million Enhanced lower scenario, plus additional effort related to the “new” POPs Ozone: \$50 million Same as lower scenario SCM plus Mercury: \$100 million Support to SCM in response to calls from the SAICM and support development of the mercury treaty, as was done with POPs
Objectives	Expected Outcomes	Key Core Outputs under \$5 billion Scenario	Key Core Outputs under \$9 billion Scenarios
Objective 1: Invest and build capacity for POPs reduction	Short-term: Country capacity built to effectively phase out and reduce releases of POPs Long-term: POPs phased out and their releases reduced in a sustainable manner	<ul style="list-style-type: none"> • NIPs prepared or updated, or national implications of new POPs assessed • Specific POPs phased out from production or use • Management of pesticides for agriculture production, and disposal and prevention of obsolete stocks • Sustainably reduced or avoided releases of POPs by-products from industrial and from non-industrial sectors • PCBs, PCB-contaminated oils, and PCB-contaminated equipment disposed of, or decontaminated 	<ul style="list-style-type: none"> • Same as lower scenario • Development and implementation of management plans for “new POPs”

Objective 2: Invest and build capacity for protection of the ozone layer	<p>Short-term: Country capacity built to meet Montreal protocol obligations and effectively phase out and reduce releases of ODS</p> <p>Long-term: ODS phased out and their releases reduced in a sustainable manner</p>	<ul style="list-style-type: none"> • HCFCs are phased-out according to Montreal Protocol schedule in GEF eligible Countries • GEF-eligible countries meet their reporting obligations under the Montreal Protocol • Strengthened capacity to address illegal traffic 	<ul style="list-style-type: none"> • Same as lower scenario
Objective 3: Pilot sound chemicals management and mercury reduction	<p>[Only for \$9 billion scenario]</p> <p>Short-term: Country capacity built to effectively manage chemicals of global concern and reduce risks related to their production and use.</p> <p>Long-term: Contribute to the overall objective of the SAICM of achieving the sound management of chemicals throughout their life-cycle in ways that lead to the minimization of significant adverse effects on human health and the environment</p>	NA	<ul style="list-style-type: none"> • Development and implementation of management plans for mercury and PTS of concern, on a pilot basis • BAT/BEP demonstrated in priority sectors for PTS release reduction, in particular mercury • Strategies for contaminated sites assessment and management in place, or under implementation, on a pilot basis • Waste prevention and management strategies in place or under implementation, on a pilot basis

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

SUSTAINABLE FOREST MANAGEMENT AND LAND USE, LAND-USE CHANGE AND FORESTRY (LULUCF)

133. Forest ecosystems provide a variety of benefits which are realized at the global, subregional, national and local scales. Threats to forest ecosystems are also multiple – ranging from the impacts of climate change to all aspects of competing land uses that lead to forest degradation and deforestation. On a global scale, deforestation contributes to 17.4% of greenhouse gas (GHG) emissions, which is more than the entire transport sector. Forests harbor a significant fraction of the world's biological wealth, and are responsible for the provision of key ecosystem services, including functioning as carbon sinks and storehouses, as well as sustaining the livelihoods of hundreds of millions of rural people everywhere.

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

135. Tropical forests have emerged as a particularly important theme for the global environment. The conversion and degradation of tropical forests, which accounts for approximately 90% of the total GHG emissions from deforestation and for nearly 80% of the threats to biodiversity globally, has been made the focus of an innovative experiment conducted in the ambit of the GEF-4 SFM program. Through this initiative, countries were incentivized to invest portions of their allocations from different focal areas in more impactful sets of SFM and LULUCF activities. This mechanism became known as the Tropical Forest Account (TFA).

136. Three regions of large, intact, tropical forest (Amazonia, Congo Basin, and New Guinea/Borneo) were defined as the initial targets for the TFA. Although the countries spanning these regions also contain 68% of tropical forest carbon, they are programmed to receive only 18% of climate change RAF funding in GEF-4. The TFA incentive mechanism was resourced by reserving portions of the Global and Regional Exclusion (GRE) windows of biodiversity and climate change, complemented by land degradation resources, and directed for SFM activities. TFA programming could reach \$60 million by the end of GEF-4, leveraging three times as much in co-financing.

137. The investment strategy in sustainable forest management for GEF-5 will build on the very promising experience with the SFM portfolio development gained in GEF-4, which has allocated approximately \$350 million in the current cycle. The strategy will expand geographically and financially the incentive mechanism pioneered under the TFA, also making

use of the latest developments in new and innovative financing opportunities for LULUCF, so as to address all types of forests.

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

139. In its fifth replenishment cycle, the GEF will particularly strengthen its SFM efforts in the field of climate change mitigation in order to take advantage of the priority and opportunities being opened for forests in the international agenda during the next 4-6 years. The overall goal for GEF-5 investment in SFM is to achieve multiple global environmental benefits from the management of all types of forests and strengthen sustainable livelihoods for people dependent on forest resources. The GEF-5 strategy identifies two objectives that will drive the SFM portfolio and contribute to reach that goal:

- (a) Reduce pressures on forest resources and generate sustainable flows of forest ecosystem services; and
- (b) Reduce GHG emissions from deforestation and forest degradation and enhance carbon sinks from LULUCF activities

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

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

Programming for Replenishment Scenarios

142. Investments by the GEF in Sustainable Forest Management (SFM) and Land Use, Land-Use Change and Forestry (LULUCF) are rapidly gaining momentum with developing countries due to their unique potential to generate global environmental benefits across a range of themes, including carbon sequestration and storage, biodiversity conservation and protection against soil erosion and desertification. For GEF-5 an expansion of the SFM program is being proposed, particularly in the form of an incentive mechanism. The purpose of this mechanism is to provide matching funding, thereby encouraging developing countries to direct substantial fractions of their focal area allocations in biodiversity, climate change, land degradation and international waters to programs and projects seeking multiple benefits that can be accrued from the implementation of SFM. The impact of the proposed SFM incentive mechanism, however, is dependent on the overall replenishment for GEF-5.

143. A \$200 million funding envelope for SFM would allow the GEF double its financing efforts compared to GEF-4. Based on our previous experience, we estimate that developing countries would dedicate an additional 15% of the total replenishment to activities related to SFM. Thus, together with the \$200 million from the incentive mechanism, the total GEF investment in SFM and LULUCF for GEF-5 could be approaching \$1 billion by the end of the cycle. Under this medium-level scenario, the GEF will continue to program the bulk of its SFM resources to improve management practices within the forest sector. The only significant change under this medium-level scenario compared to GEF-4 will be an enhanced focus on SFM activities aiming at climate change mitigation as expressed by the second objective of the GEF-5 SFM strategy.

144. The OSIRIS¹² model shows that a \$1 billion investment has the potential to reduce deforestation in biodiversity hotspot regions by about 1 million hectares over the duration of the fifth replenishment period, while at the same time preventing the emission of about 900 million tons of carbon dioxide equivalent to the atmosphere. Furthermore, the model calculates that a targeted investment of \$1 billion in SFM could produce a measurable reduction in the rates of extinction of key indicators groups globally throughout the duration of the cycle.

145. While these figures might already be impressive, investments at this scale are not reflective of the priority and opportunities being opened for forests in the international agenda during GEF-5. Irrespective of the outcome of the UNFCCC COP 15 negotiations on Reducing Emissions from Deforestation and Forest Degradation (REDD) as a cost-effective strategy to protect carbon stocks in forests, it will take time to operationalize whatever mechanism is proposed. On the other hand, GEF can rapidly incorporate components and financial contributions from different focal areas so as to build on LULUCF and REDD options, while taking them to a new level through the maximization of multiple global environmental benefits

¹² The Open Source Impacts of REDD Incentive Spreadsheet (OSIRIS) is a tool to allow users to compare the potential impacts of REDD financing on emissions reduction.
<http://www.conservation.org/osiris/Pages/overview.aspx>

beyond carbon mitigation. However, given that the estimated annual costs for halving greenhouse gas emissions from deforestation are estimated to range between \$10 billion and \$25 billion, GEF financing for SFM in the order of \$250 million/year (i.e., under the \$5 billion scenario) is largely insufficient to enable these new strategies to gain scale and promote transformational change in forest practices in a significant number of developing countries.

146. A replenishment scenario of \$9 billion is likely to take this opportunity to unprecedented levels in addressing deforestation and forest degradation in developing countries. Projections suggest that \$500 million in the GEF SFM incentive mechanism could mobilize \$1.4 billion from focal area resources, thereby increasing the total funding for SFM to about \$1.9 billion in GEF-5.

147. Illegal logging, trade and poaching as well as corruption have a devastating impact on forest ecosystems by increasing biodiversity loss and greenhouse gas emissions in many parts of the world. It becomes also increasingly obvious that threats to forests arise from a multitude of sectors, including agriculture, global commodity markets and energy development. Under the \$1.9 billion scenario, the GEF will focus much stronger on cross-sectoral collaboration aiming at transformational change in forest-related policies and practices in some highly relevant forest regions. Another additional delivery under the high-level scenario would be the inclusion of “improved forest law enforcement and government (FLEG)” as an additional outcome in the SFM strategy. Last but not least, small and low forest-cover countries, which have been suffering from a sharp decline in overall SFM funding over the last decade, will be particularly supported through a programmatic approach focusing on the conservation and sustainable management of forest ecosystems in these states.

148. According to OSIRIS, an investment of \$1.9 billion has the potential to reduce deforestation in biodiversity hotspot countries throughout GEF-5 by about 2.7 million hectares and prevent the emission of more than 2.3 billion tons of carbon dioxide equivalent to the atmosphere. Furthermore, together with an estimated \$6 billion of co-financing, the GEF investment offers the great opportunity to reduce global deforestation and its related carbon emissions by more than 20% between 2010 and 2014. It is also calculated that an investment of \$1.9 billion could lower the predicted rate of extinctions of forest-dependent species down by 13% over the same time period. Comparing the figures on deforestation, carbon emission and species extinction obtained from the model for both scenarios indicates that increasing the budget for SFM from \$1 billion to \$1.9 billion would be very cost-efficient, leading to a disproportionately larger increase (roughly three-fold) in carbon and biodiversity benefits. Investments of about \$1.9 billion would enable the GEF to scale up its efforts from GEF-4 and further diversify its SFM portfolio as outlined above. Estimating that GEF funding of \$1.9 billion for SFM will leverage about \$6 billion in co-financing, the GEF has also considerable potential to become an important funding source under a future REDD mechanism.

Table 6: Sustainable Forest Management: Results Framework and Key Outputs under Two Replenishment Scenarios

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

Impacts:

Improved provision of forest ecosystem services

Reduced GHG emissions from deforestation and forest degradation and increased carbon sinks

Improved status of threatened forest and forest-dependent species

Sustained livelihoods for people dependent on the use and management of forest resources

-
- Proposed Resource Envelope: \$200 million - \$500 million

Objectives	Expected Outcomes	Core Outputs	Key Expected Outputs under \$5 billion Scenario	Key Expected Outputs under \$9 billion Scenario
<ul style="list-style-type: none"> • Objective 1: Reduce pressures on forest resources and generate sustainable flows of forest ecosystem services 	<ul style="list-style-type: none"> • Enhanced enabling environment within the forest sector and across sectors • Good management practices developed and applied in existing forests • Functionality of forest ecosystems and forest cover maintained or restored • Good management practices in the wider forest landscape demonstrated and adopted by relevant economic sectors 	<ul style="list-style-type: none"> • Forest policy, legal and regulatory frameworks that integrate SFM principles • Coordinated and harmonized policies among relevant sectors in place • Land covered by forest and trees • Habitats for (forest) biodiversity conserved 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •

Objectives	Expected Outcomes	Core Outputs	Key Expected Outputs under \$5 billion Scenario	Key Expected Outputs under \$9 billion Scenario
<ul style="list-style-type: none"> Objective 2: Reduce GHG emissions from deforestation and forest degradation and enhance carbon sinks from LULUCF activities 	<ul style="list-style-type: none"> Enhanced institutional capacity to account for GHG emission reduction and increase in carbon stocks Good management practices in existing forests demonstrated and adopted (addressing forest degradation). Good management practices in the wider forest landscape demonstrated and adopted (addressing deforestation). Sustainable Financing Mechanisms established 	<ul style="list-style-type: none"> National forest carbon monitoring system GHG emissions avoided Land covered by forest and trees Carbon stored in forests, the wider forest landscape and peatlands CER created, sold and reinvested 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none">

AN APPROACH TO ENHANCING ENGAGEMENT WITH THE PRIVATE SECTOR

[AWAITING NEW DRAFT]

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CORPORATE PROGRAMS STRATEGY

149. Corporate programs are those activities undertaken by the GEF in support of the activities in the focal areas. Corporate activities are largely cross-cutting in nature and respond to the needs of countries and civil society organizations to develop capacity to undertake activities that generate global environmental benefits. Currently, four corporate programs are under implementation: (i) Country Support Program;¹³ (ii) National Dialogue Initiative;¹⁴ (iii) Cross-cutting Capacity Building Program; and (iv) Small Grants Program.

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

151. As a new corporate feature in GEF 5 it is proposed that each country develops a *Voluntary National GEF Business Plan* that will describe how countries propose to utilize GEF support. During GEF-5, countries that so request shall be supported in the preparation of such voluntary national plans. In this context, it is proposed that the system of Focal Points be strengthened by the establishment of GEF National Steering Committees. The National Dialogue Initiative will be transformed so that it becomes an integral part of an expanded Country Support Program. Basic cross-cutting capacity development support will be provided for all countries. The Small Grants Programme will be continued in GEF 5 as a new project designed in accordance with Council decisions. The GEF will continue to work with Agencies in support of activities involving innovation with Civil Society Organizations, for example the Development Marketplace. In addition, the Secretariat, in collaboration with the Agencies, will further strengthen the conflict resolution foundation established in GEF-4

Voluntary National GEF Business Plans

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

153. For a large part of GEF's history, country programming was mediated through the GEF Agencies. While such an approach ensured that the GEF-financing was sought for activities

¹³ Initiated in 2006 to address the capacity and knowledge needs of the GEF country focal points.

¹⁴ Initiated in 2004 to facilitate a series of country-level multi-stakeholder dialogues on GEF-related issues and themes. National dialogues aim to raise awareness about the GEF, strengthen country-level coordination and ownership, and clarify and address country GEF needs and priorities linked to national development strategies.

within the context of planning and assistance frameworks¹⁵ established between an Agency and a country, there is scope for further improvement. During GEF-4, with the introduction of the Resource Allocation Framework, direct communications between the Secretariat and countries were initiated to facilitate programming and to ensure that competition among GEF Agencies did not result in a dilution of country priorities.

154. At the beginning of GEF-4 the Secretariat contacted each recipient to ascertain how they intended to utilize their allocated funds under the RAF. This first attempt to identify from the beginning an overall approach to GEF funding was well received and helped countries in their efforts to establish priorities. To further strengthen the engagement of the GEF at the country-level, it is proposed that each recipient country prepare a *Voluntary National GEF Business Plan* with GEF financial support, as necessary. Such plans will cover all relevant focal areas and should describe how GEF allocations will be programmed to carry out national and regional projects in the context of what a country can contribute to the global environment. They will not only serve as a priority setting tool for the countries throughout the period but also be a guide for agencies as they assist recipient countries in this context.

155. The Secretariat will be available to facilitate the preparation of such plans as necessary. Nevertheless, these plans may already exist having resulted from previous exercises and, if so, may be submitted directly to the GEF. The submission of these national plans is not a requirement to access GEF support for projects. Those countries that decide to prepare a new plan will be granted \$ 50,000 from the corporate programs budget for that purpose. The voluntary national plans will be shared with the respective conventions for public disclosure as well as through the GEF website.

GEF National Steering Committees

156. Over the history of the GEF there has been an effort to align GEF interventions ever more closely with national priorities. Thus, the decision that each country would have both a Political and an Operational Focal Point with clearly defined responsibilities in this respect. In particular, the Operational Focal Points were expected to follow closely the project cycle and to ensure that projects/programs would respond to national priorities. In order to further strengthen this system and to ensure internal coordination, it is proposed that beginning in GEF-5 each recipient country that does not already have one will set up a GEF National Steering Committee to be chaired by the Operational Focal Point. This committee should include, *inter alia*, the ministries of environment, agriculture, industry, energy, planning and finance, convention focal points, as well as representatives of Civil Society Organizations. Each country may adapt the membership to national circumstances. GEF Agencies may be invited to participate and are encouraged to do so.

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

¹⁵ United Nations Development Assistance Framework (UNDAF) of the UNDP, and Country Assistance Strategies (CAS) or Poverty Reduction Strategy Program (PRSP) of the World Bank.

will therefore state that the Steering Committee has considered and approved the document for submission to the GEF in response to its national priorities.

National Dialogue Initiative

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

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

Country Support Program

160. The main objective of the Country Support Program is to strengthen the capacity of GEF focal points to effectively carry out their mandates for supporting global environmental programs in their countries and constituencies, including the improvement of overall national and constituency coordination of global environmental issues. The program is currently jointly implemented by UNDP and UNEP under the strategic guidance of an inter-agency Steering Committee, chaired by the CEO.

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

- (a) Organization of broad, multi-stakeholder dialogues¹⁶, along the lines of the current National Dialogue Initiative, at the request of the GEF National Steering Committee ;
- (b) The CSP currently includes 8 sub-regional workshops a year that provide an opportunity for Focal Points to meet with their counterparts from other countries in the region and GEF Partners to discuss and review policies and procedures and to share lessons and experiences from development and implementation of GEF projects and their integration within national policy frameworks. It is proposed that in GEF-5 this be transformed into one GEF Constituency-level workshop a

¹⁶ These dialogues are expected to involve a diversity of government ministries and agencies, NGOs, communities, academic and research institutions, the private sector, as well as partners and donors in the country. These dialogues will continue to support countries to (i) inform themselves about global environmental issues and GEF policies and procedures; (ii) take stock of GEF-financed activities and results of GEF country portfolio; (iii) further define priorities for funding and develop national strategies and plans; (iv) strengthen national GEF coordination processes and mechanisms and inter-sectoral coordination; and (v) enhance inter-agency collaboration and partnerships and promote integration of GEF in national environmental and sustainable development plans and processes.

year, to keep the GEF national focal points, convention focal points and other key stakeholders, including civil society, abreast of GEF strategies, policies and procedures and to encourage coordination. These 15 meetings will follow the outline of the current sub-regional workshops and evolve based on participant feedback. This new format is necessary to be able to invite a larger number of participants per country and keep the workshops manageable. Support will include organization of the meeting, travel and DSA allowance for participants and Secretariat;

- (c) Council Member Support: the current practice is to hold two constituency meetings per year to discuss issues before the Council and adopt positions that the Council Member may then bring to the Council meeting. Since, if point (b) above is approved, there will already be one Constituency meeting in the format of a workshop, though unrelated to Council work; it is proposed that in GEF-5 Council Member Support is reduced to one Constituency meeting per year. In addition to the travel and DSA for all participants, including the Secretariat, assistance for organizing these meetings to be increased from \$ 2,000 to \$4,000 per meeting;
- (d) Direct Support to Operational Focal points currently provides resources for the operational focal point to carry out annual work programs in support of its activities. Since the OFP will now require support to organize the National Steering Committees it is proposed that in GEF-5 this activity continues and that the amount is increased from \$8,000 to \$10,000 per year;¹⁷
- (e) Knowledge Management Tool (<http://www.gefcountrysupport.org>) is currently designed on the basis of the requirements and needs expressed by focal points. It is proposed that during GEF-5 this tool is further developed to reflect the evolving needs of GEF focal points, and also target other relevant stakeholder groups, in particular convention focal points;
- (f) Familiarization Seminars are currently aimed at new agency personnel and a handful of new operational focal points. It is proposed that in GEF-5 a GEF Familiarization Seminar is held once a year in Washington, D.C., to train new country focal points and agency officers on GEF strategies, policies and procedures; and
- (g) It is proposed that in GEF-5 a new component is added to the CSP: “Targeted Support to Facilitate Direct Access”. This component will be designed to build institutional capacity in those national entities that are nominated to be considered for direct access, but do not clear the accreditation process, particularly GEF fiduciary standards.

162. The Country Support program, as described above, will address different aspects of basic capacity development in recipient countries. In addition, countries need capacity development that goes beyond the basic support provided through the CSP. While a major share of capacity development activities are undertaken through programs and projects funded under the GEF

¹⁷ The amount has not been adjusted for several years, and there is the pressing need for more resources for the support to be effective.

focal areas, there are a critical set of cross-cutting capacity development activities that are supported under corporate programs.

Cross-cutting Capacity Development

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

164. In addition to capacity development components in programs and projects in the focal areas, GEF funds are also targeted for cross-cutting capacity development activities in recipient countries – in GEF-4, support was provided to prepare National Capacity Self Assessments (NCSAs) that serve as a planning document for capacity development in every country. This exercise is now ending as 147 countries have completed or are in the process of completing their NCSAs. Funding to a limited number of countries was also provided for cross-cutting capacity building interventions identified in the NCSAs that included cross-cutting capacity building projects using targets, indicators and tracking tools for capacity development.

Capacity Development in Projects and Programs

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

Development of a Project Management Curriculum

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

Capacity for Preparing and Managing Programmatic Approaches

167. As programmatic approaches for specific issues are designed it becomes evident that a number of capacity building activities need to be carried out as preparation for these programs to

achieve their stated goals. In particular, the proper legislative and regulatory frameworks need to be in place, institutions need to be made aware of their role and be prepared to carry it out. Therefore, it is proposed that in GEF5 these needs are addressed under this rubric.

168. In the case of programmatic approaches for SIDS and LDCs there is a need to provide support for the capacity to manage the overarching program and guide the national authorities in the preparation and implementation of the projects included in the program. This may also be addressed in this activity.

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Table 7: Capacity Development: Results Framework and Key Outputs under Two Replenishment Scenarios

Goal: Build national and regional capacities and enabling conditions for global environmental protection and sustainable development

Objectives	Expected Outcomes	Core Outputs	Key Expected Outputs under \$5 billion Scenario	Key Expected Outputs under \$9 billion Scenario
Objective 1: Enhance capacities of stakeholders for engagement through consultative process	<ul style="list-style-type: none"> • Consultative mechanism established for proactive and constructive engagement of all interested stakeholders 	Established platform (seminars, national consultations and dialogs) for enabling all key stakeholders to participate		
Objective 2: Generate, access and use of information and knowledge	<ul style="list-style-type: none"> • Institutions and stakeholders have skills and knowledge to research, acquire and apply information collective actions • Capacity of stakeholders for ability to diagnose, understand and transform it into local actions and search for potential solutions increased • Public awareness raised and information management improved 	<p>Institutions and stakeholders trained how to use different tools available to manage information</p> <p>Stakeholders are better informed via workshops and trainings about global challenges and local actions required</p> <p>Public awareness campaigns and other activities organized</p>		
Objective 3: Strengthened capacities for policy and legislation development for achieving global benefits	<ul style="list-style-type: none"> • Enhanced institutional capacities to plan, develop policies and legislative frameworks for effective implementation of global conventions 	National plans, policies and legal frameworks developed		
Objective 4: Strengthened capacities	<ul style="list-style-type: none"> • Enhanced institutional capacities to manage 	Institutional capacities for management of environment		

Objectives	Expected Outcomes	Core Outputs	Key Expected Outputs under \$5 billion Scenario	Key Expected Outputs under \$9 billion Scenario
for management and implementation on convention guidelines	environmental issues and implement global conventions <ul style="list-style-type: none"> • Good environment management standards defined and adopted • Sustainable financing mechanisms in place at national level 	strengthened. Standards developed and adopted Financing mechanisms for environment created		
Objective 5: Capacities enhanced to monitor and evaluate environmental impacts and trends	<ul style="list-style-type: none"> • Enhanced skills of national institutions to monitor environmental changes • Evaluation of programs and projects strengthened and improved against expected results • Increased capacity for evaluation 	Monitoring systems established Evaluation system for programs and projects established Learning system established to provide feedback to policy, strategies and management decisions from evaluation reports		

Small Grants Program

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

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

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

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

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

Conflict Resolution

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

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

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

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RESULTS-BASED MANAGEMENT FRAMEWORK

176. Results Based Management (RBM) has been on the GEF agenda for several years. It is codified in policy, embedded in strategy at the Focal Area level and helps to drive reporting. While these steps have generated well documented successes, there tends to be an over-emphasis on reporting project results and insufficient attention to using portfolio results information for improving projects and for internal management. These gaps make it difficult to show interim progress towards outcomes, to identify management issues early on, and to take timely corrective action.

177. The GEF 5 approach moves beyond reporting results and gives attention to using results information for accountability, internal management, learning and knowledge management. During GEF-5 the Secretariat will build on the good practice from GEF-3 and GEF-4, to focus on three main areas: Portfolio Outcome Monitoring; Portfolio Process Monitoring, Learning and Knowledge Management. In GEF 5 RBM covers:

- (a) Defining realistic expected results that meet country identified needs and align with the mandate of the GEF;
- (b) Monitoring portfolio progress toward results and resource use, by means of appropriate indicators and targets;
- (c) Managing risks, meeting service standards and striving for efficiency, bearing in mind the expected results and resource levels;
- (d) Increasing knowledge by learning, knowledge dissemination and feedback into decision making; and
- (e) Reporting on the results achieved and resources disbursed.

RBM Areas

178. **Portfolio Outcome Monitoring** at both the focal area and corporate level, based on the indicators and targets set out in each Focal Area results framework (refer to **section X**) and the GEF Strategic Results Framework (Annex 3). Portfolio outcome monitoring will occur on an annual basis to track progress in reaching intended outcomes.

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

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

181. GEF's results monitoring at the portfolio level will identify and measure outcome results achieved during the project life rather longer-term impacts, which are better captured through

evaluations. GEF results monitoring will focus on the measurement of outcomes and core outputs. Immediate outcomes, core outputs and other measures of performance are good proxies for progress towards achieving higher-level results. Implementing Agencies will be responsible for project level results measurement and reporting.

182. For GEF-5 greater attention will be given to streamlining reporting requirements and supporting the development or refinement of performance measurement tracking tools and systems.

183. **Portfolio Process Monitoring** to track GEF efficiency and effectiveness based on the indicators and targets on [page X](#). Process monitoring is a useful management tools and will take place on an ongoing basis to track whether the portfolio is being implemented as intended, set standards are being met, and if resources are being used efficiently. Indicators for corporate level processes will be tracked and will include: quality at entry (project approval) for each focal area, which will take into consideration project objectives, strategic relevance, role/ contribution to the GEF mandate and convention goals.

184. It will also include: (i) RBM issues such as design of the baseline, collection of baseline data, and a project monitoring strategy with sufficient budget allocation; (ii) document processing efficiency including turn around and approval times; (iii) Resource allocation including securing financing, financing mechanisms and efficiency of use; and (iv) Gender and staff issues.

185. To support better management, a summary dashboard report will be prepared for managers on a six month basis, providing an overview of portfolio design and implementation progress, status of disbursements, service standard achievement and progress towards outcome level results. Timely information will give managers periodic updates at the portfolio level and ensure more timely service delivery.

186. **Learning, knowledge management** and feedback of results in project design and strategy development. Specific Learning Objectives are outlined in each focal area strategy and processes will be put in place to track progress, to report on and learn from interim results, and to look critically at risks affecting the ability to deliver. Current and relevant information will be essential for updating strategies to minimize risks on an ongoing basis. Further, during GEF-5, an objective will be to strengthen knowledge creation, sharing and use- either tacit knowledge that resides with individuals or codified knowledge documented on paper - as a way of doing business. Priorities include adopting tools and guidance, and strengthening analytical capacity specifically with regards to assessing results and progress towards learning objectives.

187. The GEF will promote innovation based programs, support institutional and policy transformation, and targeted research. There is a growing need for lessons and experiences from these types of projects, and to ensure that emerging factors influence GEF's strategies, policies and the projects it finances. Knowledge dissemination would be closely linked to GEF-5 knowledge management (KM) actions. Specifically, greater attention to learning and knowledge management in GEF 5 will help:

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

188. During GEF-5 the Secretariat will undertake selective and targeted field monitoring triggered by information coming from ongoing portfolio monitoring, and the tracking of focal area learning objectives. This will allow for in-depth review of selected themes, factors affecting progress towards results or process issues. Topic priorities for GEF 5 will be developed in tandem with the development of each Focal Area strategy in consultation with STAP, the TAGS and the GEF Agencies. Examples of learning objectives include:

- (a) Enhancing Social Impacts through Improved Understanding of the Causal Relationships between Environmental Management and Local Community Welfare including the management of protected areas, landscapes under SLM and SFM, and under transboundary water management . For Climate change mitigation employment generation and market expansion of clean energy could be examined.
- (b) Enhancing the catalytic effect of GEF financing with the aim of: identifying, scaling up and replicating best practices, improving the science evidence base to develop projects, strategies and policies, and capture learning from demonstrations across all focal area.

189. The Secretariat will also work with GEF Agencies to develop a system where performance and risks can be more carefully rated and tracked at the portfolio level.

Benefits of RBM

190. The main benefits of strengthening RBM in GEF-5 are:

- (a) **Greater catalytic impact from GEF financing.** A more strategic development of projects, policies, and strategies based on a standardized and regular flow of performance information will result in greater benefits from GEF financing.

Replicating good practice and avoiding repeated weaknesses will improve outcome achievement and portfolio effectiveness.

- (b) **Improved portfolio performance and management.** RBM will contribute to more efficient processes to support project development, monitoring and reporting based on regularly updated monitoring information. Attention will be given to working with GEF Agencies in order to reduce project development time and costs, replicate good practice, and provide stakeholders with timely feedback;

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PROPOSED RESOURCE ENVELOPES FOR GEF-5

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

192. In considering targets for replenishment, three levels were considered. The current level at about \$3.13 billion does not provide an adequate level of resources necessary if the GEF is to significantly increase its support for climate change activities, particularly climate change. As shown in **Table 8**, two replenishment scenarios of \$5 billion and \$9 billion are considered.

193. A replenishment target of \$5 billion, while an increase in nominal terms, would keep the GEF at about GEF-2 levels in inflation-adjusted terms, and therefore, in real terms, represent business-as-usual with no significant increase possible in any area of activity. A target of \$10 billion provides room for significant increases in activities across the board with the potential for transformative engagements, particularly in climate change mitigation and adaptation. It also provides room for potential expansion of the scope of the resource allocation system.

Table 8: Proposed Resource Envelopes for GEF-5

Focal Area/Theme	GEF-4 Resource Envelopes ¹⁸ (US\$ million)	Proposed GEF-5 Target (US\$ million)	
		Scenario 1	Scenario 2
Biodiversity	941	1,250	2,000
Climate Change	941	1,800	3,600
International Waters	332	500	800
Chemicals	319	500	800
Land Degradation	279	500	800
Total- Focal Areas	2,812	4,550	8,000
Corporate Programs	60	80	120
Small Grants Program	110	140	220
Total - Corporate Programs	180	220	340
Earth Fund	56	80	300
Non-grants (transformation)			160
Corporate Budget	93	150	200
TOTAL-GEF Trust Fund Replenishment	3,131	5,000	9,000

194. The corporate budget, which was provisioned at around 3 percent of the replenishment for GEF-4 will be maintained at the same share for the \$5 billion scenario, and drops to 2% in

¹⁸ These are resource envelopes post-replenishment when exclusions from the climate change and biodiversity focal areas and taxes from all focal areas were directed towards funding the corporate programs, small grants program, and the corporate budget was adjusted. Such comparisons are more appropriate.

the \$9 billion scenario. The nominal increase in corporate budget is essential for the increased role of the Secretariat in managing corporate programs, including supporting countries prepare *National GEF Business Plans*.

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

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

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

[AWAITING REWORK]

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Annex 3: Results-Based Management Indicators

GEF Corporate Results Framework - GEF Strategic Goals and Results¹⁹

Strategic Goal	Key Expected Results and Targets under the \$5 billion Scenario	Key Expected Results and Targets under the \$9 billion Scenario
1.1 - Strategic Goal 1 -- Conserve, sustainably use, and manage ecosystems and natural resources globally, taking into account the anticipated impacts of climate change		
Improved Sustainability of Protected Area Systems.	Effective conservation and management of 140 million hectares of protected areas.	Effective conservation and management of 290 million hectares of protected areas.
Increase in sustainably managed landscapes and seascapes that integrate biodiversity conservation.	Sustainable use and management of biodiversity in 75 million hectares of production landscapes and seascapes.	Sustainable use and management of biodiversity in 75 million hectares of production landscapes and seascapes.
Current global trends in land degradation, specifically desertification and deforestation arrested or reversed.	<p>Sustainable management of 500 million hectares in agriculture, range and forest landscapes, including affected river and lake basins, and dry lands.</p> <p>Improved livelihoods for 1 billion smallholder farmers and pastoralists, disaggregated by gender.</p>	Sustainable management of 1 billion hectares in agriculture, rangeland and forest landscapes, including affected river and lake basins, and dry lands.

¹⁹ Strategic Goals: Corporate environmental goals showing contribution to conventions, the MDGs and incremental global environmental benefits, leading to a positive, measurable and sustainable change in the environment or behavior at impact level, ideally to be aligned with PRSPs and UNDAFs.

Strategic Goal	Key Expected Results and Targets under the \$5 billion Scenario	Key Expected Results and Targets under the \$9 billion Scenario
		Improved livelihoods for 2 billion smallholder farmers and pastoralists, disaggregated by gender.
Multi-state cooperation catalyzed to balance conflicting water uses in transboundary surface and groundwater basins.	<ul style="list-style-type: none"> • Multistate- cooperation results in achievement of joint Strategic Action Programs (SAP) objectives in x countries covering 10 transboundary systems. 	Multistate-cooperation results in achievement of joint SAP objectives in x countries covering 10 transboundary systems.
Catalyze multi-state cooperation to rebuild marine fisheries and reduce pollution of coasts and Large Marine Ecosystems.	<ul style="list-style-type: none"> • Multistate- cooperation results in achievement of joint LMEs objectives in x countries covering 10 transboundary systems. 	Multistate-cooperation results in achievement of joint LMEs objectives in x countries covering 10 transboundary systems.
1.2 - Strategic Goal 2 – Reduce global climate change risks by: 1) stabilizing atmospheric GHG concentrations through emission reduction actions; and 2) assisting countries to adapt to climate change, including variability.		
Slowed growth in GHG emissions to the atmosphere from transfer of advanced low-carbon technologies; energy efficiency in industry and the building sector; low-carbon transport and urban systems and reduced GHG emissions from land use change, deforestation and forest degradation.	<p>GHG emissions avoided</p> <ul style="list-style-type: none"> • Energy saved • Carbon stored in forests, the wider forest landscape and peat lands 	<p>GHG emissions avoided</p> <ul style="list-style-type: none"> • Energy saved • Carbon stored in forests, the wider forest

Strategic Goal	Key Expected Results and Targets under the \$5 billion Scenario	Key Expected Results and Targets under the \$9 billion Scenario
Enhanced carbon sinks from LULUCF activities.		landscape and peat lands
1.3 - Strategic Goal 3 -- Eliminate chemicals that affect the health of humans and global environments.		
Controlled chemicals phased out in a sustainable manner.	<ul style="list-style-type: none"> • Specific POPs or ODS phased out from production (PCBs and obsolete pesticides). • Ozone • Mercury 	
1.4 - Strategic Goal 4 - Build national and regional capacities and enabling conditions for global environmental protection and sustainable development.		
Enhanced institutional capacities to plan, develop policies and legislative frameworks for effective implementation of global conventions	<p>National plans, policies and legal frameworks developed disaggregated by focal area:</p> <ul style="list-style-type: none"> • 70 countries with Bio-safety frameworks developed. • capacity building in ABS, responsive to COP guidance emanating from agreed international regime – BD; • NCs/TNAs/NAMAs completed and submitted to the UNFCCC as appropriate - CC; • 9-11 Strategic Action Programs SAP developed or revised based on transboundary diagnostic analysis.–IW; • Country Strategy Investment Frameworks developed; • NIPs prepared or updated, or national implications of new POPs assessed. 	

Strategic Goal	Key Expected Results and Targets under the \$5 billion Scenario	Key Expected Results and Targets under the \$9 billion Scenario
Enhanced capacity to monitor and evaluate environmental impacts and trends.	Monitoring systems established that monitor environmental trends.	
Strengthened capacities for management and implementation of environmental conventions.	Sustainable financing mechanisms in place at national level, disaggregated by focal area: <ul style="list-style-type: none"> • Value of Sustainable financing plans – BD; • Value of Investment mobilized – CC; • Value of investment in SLM; • Value of CER created, sold and reinvested – SFM; 	

GEF Corporate Results Framework - Effectiveness and Efficiency Indicators

Secure financing and financing mechanisms

1.1 - Increased and diversified contributions	Target
1.1.1 - Total value of contributions (US\$)	billion
1.1.2 - Percentage of resources contributed by the top ten donors	
1.1.3 - Actual contributions against pledged	
1.1.4 Pledged contributions available according to plan	
1.1.5 – Materialized cofinancing per dollar of promised cofinancing (%)	95%
1.2 - More efficient cost structure	
1.2.1 - Overhead costs as a % of total annual disbursements	
1.2.2 – Total disbursements vs. committed	

Enhance visibility of GEF

2.1 - Increased advocacy and political awareness of GEF	Target
2.1.1 - Number of mentions of GEF in traditional media (print) in major countries	
2.1.2 - Number of mentions of GEF in alternative media (online) in major countries	
2.1.3 – Number of hits on GEF website	

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Improve Efficiencies in Project Cycle

3.1 – Improved timeliness of program design	Target
3.1.1 – Average PIF turn-round response time	10 day service standard
3.1.2 - Average time from PIF approval to CEO approval/endorsement -Number of projects beyond 12 month/22 month average	12 months - MSP 22 months - FSP
3.1.3 - Average time spent from PIF entry to Council approval/CEO clearance	
3.1.4 - Average time from CEO endorsement to first project disbursements	
3.1.5 - Average time for extension of closure date	
3.1.6- Percent of PIRs submitted in complete form and meeting deadline	

Quality of Entry

4 - Quality of Entry	Target
4.1- Average time spent to review PIFs prior to CEO clearance	Calculate baseline in year 1
4.2- Percent of project with outcomes aligned to country programme (national priorities) outcomes, broken down by Full Size project, Medium Size project, Focal area, Region	100
4.3 - Percent of projects with baselines completed at CEO approval/endorsement	100
4.4 - Percent of project with M and E plan in place at CEO approval/endorsement	100
4.5 – Percent of projects that include gender analysis	100
4.6 – Percent of projects that conduct socioeconomic assessments and analysis	100
4.7 - Percent of projects that include climate change risk and vulnerability assessment	100
4.8 – Percent of new projects that incorporate learning (evaluation, monitoring, study results) into the design	100

Ensure staff, including gender representation

4.1 - Gender sensibility and equality ensured	Target
4.1.1 - Percentage of international professional staff (by gender and geographical distribution): <ul style="list-style-type: none"> ▪ women ▪ geographical distribution from developing countries 	50
4.2 - Skilled and motivated staff hired and retained	Target
4.2.1 - Average staff satisfaction rating (%) based on survey results	
4.2.2 - Staff loss rate ²⁰	
4.2.3 – Average time to fill professional vacancies	

²⁰ Percentage of staff separation and retirements on total staff