Operations of the Global Environment Facility: A Companion to Handbook of the Financial Mechanism under the Convention on Biological Diversity

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Introduction

Handbook of the Financial Mechanism under the Convention on Biological Diversity presents a compilation of reference materials that are related to the financial mechanism of the Convention on Biological Diversity and that are essential in considering the relationship between the Convention and the Global Environment Facility. It is a convenient tool to be used in negotiations or other processes that have a bearing on the development of such relationship.

The companion to the Handbook, Operations of the Global Environment Facility, intends to provide complementary information on the operational aspects of the financial mechanism. It contains the information concerning the policies that govern GEF's operations and how GEF project cycle is managed.

GEF Biodiversity Strategic Priorities

GEF biodiversity strategic priorities are extracted from document GEF/C.21/Inf. 11, *Strategic Business Planning: Priorities and Targets*. That document provides details regarding the priorities, financial projections, and targets and indicators under the six focal areas and themes/programs of the GEF.

Status of the Portfolio

1. During its first decade, the GEF focused its support for biodiversity through Operational Programs classified according to ecosystem types: Arid and Semi-Arid Zone Ecosystems (OP1); Coastal, Marine and Freshwater Ecosystems (OP2); Forest Ecosystems (OP3); and Mountain Ecosystems (OP4). As a response to guidance from the CBD's COP, two additional OPs were added later: Conservation and Sustainable Use of Biological Diversity Important to Agriculture (OP13), and Integrated Ecosystem Management (OP12).

2. Thematically, the GEF biodiversity portfolio has until now emphasized support for Protected Areas (PAs). The *Second Biodiversity Program Study* and the *Second Overall Performance Study (OPS2)* state that the majority of the biodiversity portfolio is focused on *in situ* conservation based on supporting existing or new PAs and to a lesser extent systemic capacity building, setting up sustainable financial instruments, education and awareness, and participatory management involving local stakeholders. Less funding has supported sustainable use, mainstreaming, and private sector initiatives.

3. Some of the key ***positive impacts*** of biodiversity projects financed by the GEF have been:[1]

(a) Innovative financing: GEF has supported innovative mechanisms such as Conservation Trust Funds to finance long-term biodiversity conservation by creating a basic level of resource security which in many instances have become important building blocks within a diversified financing strategy for PA systems;

(b) Representation and coverage: GEF projects have covered many globally important and threatened sites and ecosystems, thus reflecting the CBD's early emphasis on *in situ* conservation;

(c) Capacity building: Biodiversity projects have been most successful at capacity building at the individual level, and to a lesser degree at the institutional level through the development and implementation of legislation and policy frameworks. Much of the capacity building has been devoted to conservation and sustainable use, both within PAs and in production landscapes;

(d) Stakeholder participation: In 50% of biodiversity projects stakeholder participation was rated as comprehensive to partial in planning and implementation phases;

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

(e) Cross cutting issues: 50% of GEF biodiversity projects substantially address related cross-cutting issues such as land degradation and 10% partially address them. Close synergies have been developed between biodiversity conservation activities and those to prevent deforestation and desertification. The creation of OP12 has offered a niche for the further development of ecosystem approaches and has represented an enhancement in terms of combined global benefits from individual focal area projects;

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

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

(a) Addressing root causes of biodiversity loss: Narrowly focused individual site-specific projects have largely failed to address root causes such as economic and social policies and lack of political will within the development agenda. Project links to social and political aspects of sustainable development have been poorly developed and mainstreamed.

(b) Sectoral linkage: Weak links to other sectors of the economy that influence project success. The portfolio is overly structured towards individual projects with a tendency for biodiversity to be stand alone, resulting in poor mainstreaming within other sectors.

(c) Funding patterns: Funding patterns that are incompatible with the absorptive capacity of project areas or implementing or partner institutions and long term needs.

(d) Project sustainability: Only about 10% of projects have substantially addressed sustainability. There is no system of post-completion assessments; therefore it is difficult to establish whether or not results and institutional gains continued after project completion.

(e) Project design and objectives: There is a tendency for rigid project management design structures that do not allow for flexibility and innovation in project implementation. Unrealistic project objectives, including lack of time and funds to fully achieve objectives have reduced benefits.

(f) Private sector: Failure to fully realize and disseminate innovative financing mechanisms and to strengthen private sector involvement in biodiversity.

(g) Measuring results: Accurately and quantitatively measuring the impact of funding for biodiversity has proved to be difficult because the majority of the projects have not established a baseline against which results can be measured.

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

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

(a) Place greater emphasis on sustainability of results and the potential for replication;

(b) Move beyond the current projects-based emphasis where appropriate, to more strategic approaches that systematically targets country enabling environments to address biodiversity conservation over the long term;

(c) Insert biodiversity within other sectors through mainstreaming it in the wider sustainable development context;

(d) Engage with the private sector more effectively where appropriate;

(e) Increase support for CBD objectives on sustainable use and benefit sharing;

(f) Address stakeholder participation more systematically;

(g) Continue to strengthen the IA's role as brokers in the development agenda within the context of country-driven Poverty Reduction Strategy Papers (PRSPs), Country Assistance Strategies (CASs) and other such tools;

(h) Improve dissemination of tools, lessons learned and best practices among broader audiences.

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

(a) Promoting environmental, institutional, social and financial sustainability through cost-effective and innovative interventions;

(b) Better placing individual projects within the context of strengthening country or regional natural resource policy frameworks, management programs and financing strategies;

(c) Building on new and existing partnerships with countries, local and indigenous communities, government agencies[2], Implementing and Executing Agencies, NGOs and the private sector.

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

Strategic Priorities

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

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

I. Catalyzing Sustainability of Protected Areas

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

10. Rationale**.** Until now, individual projects have focused on building capacity and management effectiveness within the context of individual PAs, with limited attention to the long-term capacity and policy maturity that underpins the sustainability of PA systems. Therefore, a shift is proposed towards a more comprehensive approach based on support for achieving sustainability of PA systems. This shift does not preclude support for individual PAs providing that: (i) individual support is justified within country contexts and demonstrate replication effects that contribute a progression towards the maturation

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

of a national-level system of PAs[3]; (ii) contain globally important biodiversity that is critically at risk and in need of immediate attention; or (iii) demonstrate specific interventions such as public – private sector and / or community – indigenous group partnerships which are context driven and cannot be immediately replicated without the project.

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

(a) Demonstration and Implementation of Innovative Financial Mechanisms: Promote the development and capitalization of conservation Trust Funds, systems of payments for environmental services, easements, debt-for-nature swaps and certification processes and other mechanisms; internalization of PA economic values within other government agencies (e.g. Ministries of Agriculture, Fisheries, Industry, Tourism, Finance, etc).

(b) Capacity Building for long-term Sustainability: Support activities that further develop institutional, managerial and financial sustainability from both private and public sources –

(i) Systemic capacity building through legislation, policy and enabling activities to allow PA effectively at the system and / or individual level;

(ii) Institutional capacity building to improve all aspects of management;

(iii) Individual capacity building through targeted training to maximize skills for sustainability.

(c) Catalyzing Community – Indigenous Initiatives: Promote the participation of local community and indigenous groups in the design, implementation, management and monitoring of projects to promote biodiversity conservation and sustainable use through established frameworks such as Biosphere Reserves, landuse zoning (e.g. for corridors) and community – indigenous communities conservation areas. GEF will also promote broad stakeholder participation and comanagement between government and local communities for PAs where such management models are appropriate.

(d) Remove Barriers to Facilitate Public – Private Partnerships: GEF will support policy reform and / or incentives to catalyze engagement of the private sector to attain improved financial sustainability of PAs. GEF will also assist the private sector in the development of

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

innovative ventures that demonstrate commercial profit and biodiversity benefit within the context of PAs. However, GEF recognizes that achieving financial sustainability across PA systems is a long-term proposition. Therefore, private sector involvement and innovative financial arrangements are likely to be location and context specific.

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

II. Mainstreaming Biodiversity in Production Landscapes and Sectors

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

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

(a) Facilitate the mainstreaming of biodiversity within production systems: Support will be provided for the development of systemic and institutional capacities of government agencies and other stakeholders (e.g. enabling legislation to remove barriers, policy, institutional structures (e.g. reform or creation of new institutions) and management procedures, relevant knowledge, partnership building between agencies and local communities and private sector) that secure biodiversity conservation;

(b) Developing market incentive measures: Support will be provided for innovative market incentive structures (e.g. demand and supply side interventions – certification of suppliers, purchasing agreements and codes of conduct) to catalyze market forces. In doing so GEF will seek to develop partnerships with private sector stakeholders, small and medium scale enterprises and others to catalyze the development of innovative processes and activities that improve market efficiency and ability to provide biodiversity and productive system gains.

(c) Demonstration: Support will be provided for demonstration projects with high replication value.

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

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

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

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

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

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

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

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

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

19. Objective**.** The key objective will be to improve the effectiveness of analysis, synthesis and dissemination of best practices, innovative approaches and new tools from projects and programs to improve the sustainability of GEF impacts in the biodiversity focal area. This objective will be cross-cutting and will address best practice in priorities I to III, with a distinct emphasis on directions I and II[5] in accordance with importance and financial allocations, and within the context of guidance from the COP of the CBD.

20. The emphasis will be on ensuring that available state-of-the-art information is disseminated in a timely and effective manner such that uptake and application of best practice is optimized resulting in improved conservation practice. Regional synthesis will be encouraged when comparative lessons provide additional value-added or when economies of scale can be achieved. The following illustrate, but do constitute an exhaustive list of the types of operational activities the GEF will consider:

(a) Improve analysis, synthesis, and dissemination of best practice: provide support for gathering and dissemination of information on best practice among Implementing and Executing Agencies, country government agencies and other stakeholders such as NGO and communities, scientific institutions and the private sector.

(b) Support for building scientific and technical cooperation: provide support for knowledge generation and north-south and south-south exchange of information through knowledge networks such as the CHM.

(c) Support demonstration projects that generate synergies between biodiversity, climate change, land degradation and international waters and produce national and global environmental benefits. Two issues will be of particular interest: (i) vulnerability and adaptation to global change, and (ii) demonstration of ecosystem approaches.

(d) Specific themes to be addressed will be country-driven where appropriate or identified by the GEF Secretariat, its Implementing Agencies, and STAP when necessary, and based on identified needs and CBD COP guidance. The specific operational modalities for this priority will be further clarified within the GEF Biodiversity Task Force.

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

PROGRAMMING FOR THE BIODIVERSITY FOCAL AREA FOR GEF 3[6]

Emerging Strategic Directions	Projected Levels of Financing (US $ millions)			Expected Impact	Targets (coverage)[7]	Modality to track targets (coverage)	Performance indicators (impact)	Modality to track performance indicators (impact)
	FY03	FY04	FY05					
I. Catalyzing Sustainability of Protected Areas[8]	80	90	90	Improved management effectiveness of national PA system, and individual PAs which receive direct support over the long-term.	▯At least 15 countries receive support for strengthening PA systems to ensure their long-term sustainability ▯At least 400 PAs supported (through about 80 projects)[9] – of which at least 20% should be new additions. ▯At least 70 million ha of PAs supported.[10]	▯Targets will be tracked at approval stage through the PIBF form (see Annex 1).[11] ▯The cumulative totals for each target will be published half yearly.	▯X (Y %) countries show concrete improvements in management effectiveness of their PA systems against baseline scenarios by mid-term and end of project (in terms of policy reforms, legislation, capacity and increased budgets to PA agencies from a variety of sources).	▯The PIBF form will be updated at mid-term and at the end of project. ▯For effectiveness of national PA systems – a section will be added to the WB/WWF tracking tool for PAs (see below).[12] ▯For effectiveness of individual PAs, the WB/WWF Alliance tracking tool for

[6] This M&E framework is work in progress.

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

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

[9] 400 PAs is based on the estimate of US$1million/PA (see footnote 2) – and the average of about 5PAs/project.

[10] Average conservative estimate applied towards the targets: US$6 /ha of PA; US$1.00 million/PA; and 5PAs/project. These are based on the following sources: (i) Source: GEF Biodiversity Program Indicators: An Analysis of Coverage, Oct. 2002 (in draft). GEF funded 894 Protected Areas covering 162 million hectares through 169 projects over a 10 year period with US$960 million (FY91-01). This gives average GEF support of US$5.93/ha, US$1.07 million/PA; and c. 5.2 PAs/project. (ii) Source: Program Status Report for Forest Operational Program, July 2001. GEF funded 670 Protected Areas covering 160 million hectares through 87 projects over a 10 year period with US$538 million (FY91-01). This gives average GEF support of US$3.36/ha, US$ 0.80 million/PA; with c. 7.7 PAs/project.

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

[12] These indicators will draw from the 'enabling category' of GEF Biodiversity Program Indicators.

Emerging Strategic Directions	Projected Levels of Financing (US $ millions)			Expected Impact	Targets (coverage)[7]	Modality to track targets (coverage)	Performance indicators (impact)	Modality to track performance indicators (impact)
	FY03	FY04	FY05					
					□At least 30% of total resources dedicated to capacity building with special attention to indigenous and local communities (and LDCs/SIDs?)		□X (Y %) PAs supported show improved management effectiveness against baseline scenarios. □X number of replication situations reported and verified. □Number of protected areas and total hectares under any "global priority lists" (coverage indicator).	"Reporting Progress at Protected Area sites". Will be adapted and applied (Annex 2). □Use of other instruments: PIR, SMPRs and ex-post evaluations to explore the impact achieved against the expected outcome of this pillar.
II. Mainstreaming Biodiversity Conservation in Production Systems[13]	52	73	82	Produce biodiversity gains in production systems in recipient countries. Biodiversity mainstreamed into sector programs of the IAs.	· At least 5 projects in each production sector (forestry, fisheries, agriculture, and tourism) targeted to mainstreaming biodiversity into the sector. · At least 20 million ha in production landscapes and seascapes that contribute to biodiversity conservation or the	· Targets will be tracked at approval stage through the PIBF form (see Annex 1). · The cumulative totals for each target will be published half yearly.	· X (Y %) projects supported in each sector have incorporated biodiversity aspects into sector policies and plans at national and sub-national levels, adapted appropriate regulations and implement plans accordingly. · X ha of production systems that contribute	· Specific information to be added to PIBF form for production environment.[15] · For effectiveness of production environment in mainstreaming biodiversity considerations, the tracking tool "Reporting Progress at Protected Area sites" will be modified and applied (Annex 3).[16]

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

Emerging Strategic Directions	Projected Levels of Financing (US $ millions)			Expected Impact	Targets (coverage)[7]	Modality to track targets (coverage)	Performance indicators (impact)	Modality to track performance indicators (impact)
	FY03	FY04	FY05					
					sustainable use of its components.[14] · At least 5 countries promote conservation and sustainable use of wild species and landraces, taking into consideration their real and potential contribution to food security.		to biodiversity conservation or the sustainable use of its components against the baseline scenarios. · X people (Y % of total beneficiaries) show improved livelihoods (especially local and indigenous communities) based on more sustainable harvesting. · X number of replications (reported & verified through the project) applying incentive measures & instruments (e.g. trust funds, payments for environmental services, certification) within and beyond project boundaries. · X% of projects	

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

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

[16] Propose that this be done through the Task Force/STAP.

Emerging Strategic Directions	Projected Levels of Financing (US $ millions)			Expected Impact	Targets (coverage)[7]	Modality to track targets (coverage)	Performance indicators (impact)	Modality to track performance indicators (impact)
	FY03	FY04	FY05					
							mainstream biodiversity into IA loan and/or sector work.	
III. Capacity Building for the Cartagena Protocol on Biosafety	1	19	25	Sustained management capacity to address and mainstream biosafety issues in relevant (GEF supported) countries.	· All (GEF eligible) Parties to the CBD that are signatories to the Protocol or have expressed the intention of becoming Parties to it, for a basic level of capacity building to prepare for entry into force of the Protocol. · All (GEF eligible) Parties to the Protocol for more advanced capacity building for implementation of the Protocol.	· PMIS (the GEF database) · Steering Committees with GEFSEC representation · Similar organizational membership for all oversight of projects	· X countries have enacted domestic legislation/ regulations to give effect to provisions of the Protocol, · X countries have institutional arrangements at the local level for the purpose. · % of countries that have completed draft biosafety frameworks and started to implement biosafety frameworks.	· Initial review of legislative and institutional frameworks in recipient countries at start of implementation of projects.
IV. Generation and Dissemination of Best Practices for Addressing Current and Emerging Issues in Biodiversity	12	13	15	· Improved knowledge and dissemination resulting in more appropriate projects/programs with visible impact; and	· Improved compilation and dissemination of best practice on specific themes.[17] · At least 3 demonstration projects between biodiversity	· GEF Secretariat · Biodiversity Task Force	Successful demonstrations with quantitative gains achieved from synergies (e.h. #ha of land with improved carbon sequestration potential, #PAs, etc.)	· PMIS (the GEF database) · Project completion reports against their initial objectives

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

Emerging Strategic Directions	Projected Levels of Financing (US $ millions)			Expected Impact	Targets (coverage)[7]	Modality to track targets (coverage)	Performance indicators (impact)	Modality to track performance indicators (impact)
	FY03	FY04	FY05					
				· pilot projects to investigate and demonstrate synergistic benefits between biodiversity and other focal areas.	and each focal area to test and demonstrate synergies (i.e. win-win situations through adaptation, mitigation, transboundary contamination, rehabilitation of rangelands etc.)			
Total resources	**145**	**195**	**212**					

GEF Operational Strategy as of Direct Relevance to Biological Diversity

Approved by GEF's Council in 1995, the Operational Strategy lays the foundation for GEF's efforts in four focal areas and 10 operational programs. The strategy incorporates guidance from two conventions for which GEF serves as financial mechanism: the Convention on Biological Diversity and the UN Framework Convention on Climate Change. It also establishes operational guidance for international waters and ozone activities, the latter consistent with the Montreal Protocol on Substances that Deplete the Ozone Layer and its amendments.

A new operational strategy will be prepared to reflect the addition of two new focal areas, land degradation and persistent organic pollutants, which was approved by the GEF Assembly in October 2002.

Chapter 1: Policy Framework

This operational strategy has been developed to guide the Global Environmental Facility (GEF) in the preparation of country-driven initiatives in the GEF's four focal areas: biodiversity, climate change, international waters, and ozone layer depletion.[18] The issues of land degradation, primarily desertification and deforestation, as they relate to each focal area, are also addressed. This strategy will guide the GEF Secretariat and the three Implementing Agencies (the United Nations Development Programme, the United Nations Environment Programme, and the World Bank) in developing work programs, business plans, and budgets. It shall also guide the GEF Council in approving these activities.

This strategy incorporates guidance from the relevant Conventions for which the GEF serves as the interim financial mechanism: the Convention on Biological Diversity (CBD) and the Framework Convention on Climate Change (FCCC).[19] It also establishes operational guidance for international waters and ozone activities, the second being consistent with the Montreal Protocol on Substances that Deplete the Ozone Layer and its amendments. Preparation of the strategy drew on a broad consultative process.

The first chapter defines the mission of the GEF, along with the operational principles on which all activities will be based. It presents the strategic considerations of the GEF in fulfilling its mission and provides the framework that will sequence its actions. The chapter also indicates how the GEF will maintain the flexibility needed to respond to new developments and incorporate continuing guidance from the relevant Conventions and the GEF Council. Chapters two through five present the operational strategy specific to each of GEF's four focal areas: biological diversity, climate change, international waters and ozone layer depletion. A discussion of the activities concerning land degradation, primarily desertification and deforestation, as they relate to the focal areas, is integrated into the chapters.

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[18] The *Instrument for the Establishment of the Restructured Global Environment* Facility states that the GEF will provide "grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits in the following focal areas:

- biological diversity;
- climate change;
- international waters; and
- ozone layer depletion."

[19] Paragraph 6 of the Instrument for the Establishment of the Restructured Global Environment Facility provides that "the GEF shall be available to continue to serve for the purposes of the financial mechanism of [the Convention on Biological Diversity and the United Nations Framework Convention on Climate Change] if it is requested to do so by their Conferences of the Parties." The first meeting of the Conference of the Parties to the Convention on Biological Diversity requested that the GEF "continue to serve as the institutional structure to operate the financial mechanism under the Convention on an interim basis." The first meeting of the Conference of the Parties to the United Nations Framework Convention on Climate Change requested that the GEF "continue, on an interim basis, to be the international entity entrusted with the operation of the financial mechanism."

Mission

The Global Environment Facility (GEF) is a mechanism for international cooperation for the purpose of providing new, and additional, grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits in the areas of biological diversity, climate change, international waters, and ozone layer depletion. Land degradation issues, primarily desertification and deforestation, as they relate to the four focal areas will also be addressed. In carrying out its mission, the GEF will adhere to key operational principles based on the two Conventions, the GEF Instrument, and Council decisions. These principles are summarized in box 1.1.

Box 1.1 Ten Operational Principles for Development and Implementation of the GEF's Work Program

1. For purposes of the financial mechanisms for the implementation of the Convention on Biological Diversity and the United Nations Framework Convention on Climate Change, the GEF will function under the guidance of, and be accountable to, the Conference of the Parties (COPs).[20] For purposes of financing activities in the focal area of ozone layer depletion, GEF operational policies will be consistent with those of the Montreal Protocol on Substances that Deplete the Ozone Layer and its amendments.
2. The GEF will provide new, and additional, grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits.
3. The GEF will ensure the cost-effectiveness of its activities to maximize global environmental benefits.
4. The GEF will fund projects that are country-driven and based on national priorities designed to support sustainable development, as identified within the context of national programs.
5. The GEF will maintain sufficient flexibility to respond to changing circumstances, including evolving guidance of the Conference of the Parties and experience gained from monitoring and evaluation activities.
6. GEF projects will provide for full disclosure of all non-confidential information.
7. GEF projects will provide for consultation with, and participation as appropriate of, the beneficiaries and affected groups of people.
8. GEF projects will conform to the eligibility requirements set forth in paragraph 9 of the GEF Instrument.
9. In seeking to maximize global environmental benefits, the GEF will emphasize its catalytic role and leverage additional financing from other sources.
10. The GEF will ensure that its programs and projects are monitored and evaluated on a regular basis.

Strategic Considerations

[20] "Conferences of the Parties" refers to the Conference of the Parties established in Article 7 of the Convention on Biological Diversity and the Conference of the Parties established in Article 23 of the U.N. Framework Convention on Climate Change.

GEF activities will aim at maximizing agreed global environmental benefits in the areas of biological diversity, climate change, international waters, and ozone layer depletion. Land degradation issues, primarily desertification and deforestation, as they relate to the four focal areas will also be addressed by GEF activities, particularly in those countries in Africa experiencing serious drought and/or desertification, consistent with the GEF Instrument.[21] *The GEF will not finance activities in the areas of biodiversity and climate change that do not fully conform to the guidance from the relevant Conference of the Parties.*

GEF activities will be designed so as to:

- Be consistent with national and, where appropriate, regional initiatives.
- Strive to ensure sustainability of global environmental benefits.
- Reduce the risk caused by uncertainty.[22]
- Complement traditional development funding.
- Facilitate effective responses by other entities to address global environmental issues.
- Be environmentally, socially, and financially sustainable.

[21] Document GEF/C.3/8, endorsed by the Council at its third meeting, outlines GEF activities that are consistent with the objective of the UN Convention to Combat Desertification, and it provides useful thinking on integrating land degradation into GEF focal area activities.

[22] Risk occurs at four levels in the GEF portfolio:

- First, there is the normal commercial and technical risk associated with any development project. Such risks are addressed through appropriate project design, insurance, and guarantee schemes in the normal course of project development.

- Second, the recipient may experience an additional project risk as a result of opting for a measure that also protects the global environment. For example, there may be increased technical risk when a new renewable energy technology is used as a substitute for a familiar fossil-fuel technology. Such an additional risk is specifically attributable to the GEF involvement and should be addressed by appropriate project design (additional capacity building to manage new systems, recurrent disbursements made on monitored incremental costs, or reimbursement for the increased costs of insurance).

- Third, in some projects the expected global environmental benefits may not materialize or may not be incremental. For example, the GEF may pay the incremental costs of protecting a wetland from development activities in the expectation that this will provide cost-effective protection for the wetland's biodiversity, only to discover many years later that the project agreement had been breached and the wetland drained for an alternative economic use.

- Finally, the GEF runs a portfolio risk in that the measures it has adopted may not prove to be the best or most effective in meeting its overall objectives. For example, if all of the GEF's resources for climate change were devoted to one or two very specific technologies that were expected to reduce greenhouse gases very effectively in the long term, and these technologies failed to become financially self-sustaining as expected, the entire portfolio in climate change would have failed. This type of risk is best handled by having a diverse portfolio. There is a trade-off between the diversity of programs (which reduces portfolio risk) and the strategic concentration of resources within each program (where synergy and scale can increase the chances of market take-off for alternatives and their integration with sustainable development).

- Avoid transfer of negative environmental impacts between focal areas.

These strategic considerations are discussed below.

Be Consistent with National and, Where Appropriate, Regional Priorities

GEF activities will be consistent with, and supportive of, the recipient countries' own actions for sustainable development. GEF programs and projects will be *country-driven* (see Document GEF/C.4/7, GEF Project Cycle), and will be linked with national sustainable development efforts. Public consultation and effective involvement of local communities and other stakeholders will enhance the quality, impact, relevance, and national ownership of GEF activities.

Regional programs and projects will be undertaken in all countries which endorse them, and GEF financing will only be provided to those eligible to receive GEF funding. The GEF will encourage and strengthen partnerships to address programs at the regional level. Global and interregional projects may be funded for eligible recipient countries or "for other activities promoting the purposes of the Facility."[23] Global programs and projects will be designed to facilitate national-level efforts to achieve global environmental benefits.

Ensure the Sustainability of Global Environmental Benefits

GEF activities will be designed to support:

- National policies providing adequate incentives for development paths that are sound, from a global environmental perspective, and contribute to the effective implementation of GEF operations.
- Institutional arrangements that are supportive of global environmental protection.
- Capacity building, human resource development, and skills that are necessary to achieve global environmental objectives.
- Communications and outreach that promote better public understanding of the global environment, mobilize people and communities to protect the global environment, and build support for GEF's objectives, strategy, and programs.
- Public participation and consultation with major groups (see paragraph 5 of the *Instrument for the Establishment of the Restructured Global Environment Facility*; see also *Agenda 21*, Section III, "Strengthening the Role of Major Groups"), local communities, and other stakeholders at appropriate stages of project development and implementation.

Reduce the Risk Caused by Uncertainty

[23] Paragraph 9(b) of the *Instrument for the Establishment of the Restructured Global Environment Facility* states: "All other GEF grants shall be made available to eligible recipient countries and, where appropriate, for other activities promoting the purposes of the Facility in accordance with this paragraph and any additional eligibility criteria determined by the Council". The Small Grants Programme is an example of a global program that is an "activity promoting the purposes of the Facility."

Although there is significant and continuously evolving knowledge relating to global environmental issues, scientific uncertainty is inevitably part of the context in which the operational strategy is set. As enunciated in Principle 15 of the Rio Declaration on Environment and Development, "lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation." Developing a diverse portfolio and seeking scientific and technological advice will be pursued to reduce the risks arising from scientific uncertainty. Other means to be pursued include working to increase and improve environmental information to support decision-making and action, and paying particular attention to monitoring and evaluation on a programmatic level, including dissemination of information on the results of these efforts, so as to improve subsequent activities.

A *diverse portfolio* will:

- Involve a range of approaches which address the need for ongoing innovation, experimentation, demonstration, and replicability.
- Finance programs and projects that address the underlying causes of global environmental deterioration, such as economic policy, legal and social issues, institutional weaknesses, and information barriers.
- Finance actions that provide lessons beyond their immediate impact or provide long-term sustainable global benefits, such as reduction in costs of technologies or demonstration of alternative, environmentally sound, and viable approaches.
- Finance actions that are cost-effective and catalyze complementary actions or have a multiplier effect.
- Involve a range of project executors from the public, non-government, and private sectors.
- Finance programs that advance the scientific and technical capacities in recipient countries to reduce global environmental threats.

In developing and managing the portfolio of activities, the GEF will seek the best available *scientific and technological advice*. Actions for which the causes, effects, and ameliorative activities are well established will be expedited. The scientific community, in particular the GEF's Scientific and Technical Advisory Panel (STAP), will be consulted routinely. Guidance from the Conference of the Parties to the Convention is expected to include advice and recommendations of the subsidiary scientific bodies of the Conventions.[24]

Increased awareness of global environmental issues and improved environmental information assist in effective decision-making and actions and are necessary first steps in identifying global benefits. Funding the collection and synthesis of usable information, and ensuring its dissemination among decision-makers, scientists, and the general public are important parts of the GEF's operational strategy. The GEF will provide assistance for:

[24] The role of the Scientific and Technical Advisory Panel is defined in the STAP terms of reference approved by the Council, Document GEF/C.6/Inf.7, "STAP Terms of Reference".

- Enabling activities, including: inventories, compilation, and analysis of information; and appropriate capacity building, policy analysis, and strategies and action plans to help integrate global environmental objectives and national planning and decision-making. Such information also will help countries in preparing communications to the relevant Conventions and in developing useful intercountry or interregional information bases.
- Capacity building for, among others, enabling activities, institutional strengthening, and targeted research, including analysis and application of relevant information.
- Information dissemination and networking among, and within, countries to help inform decision-making on policies, institutional arrangements, investment choices, resource management, and the application of environmentally sound technologies. Systematic sharing and documentation of activities and experiences to protect the global environment is important in addressing the link between the global environment and national sustainable development programs.
- Building public awareness in order to ensure public participation and consultation with stakeholders at appropriate stages of the project cycle.[25]

Monitoring and evaluation play an especially important role in the GEF for a number of reasons. First, the GEF's new and unique mission in the global environment requires it to develop strategies and projects whose designs, although scientifically based, may be more innovative or experimental than those of regular development projects. Second, the GEF is pioneering new institutional relationships among the Bretton Woods and United Nations agencies in partnership with the participant countries, international conventions, NGOs, and other organizations. Third, the emphasis in the early part of the GEF project cycle on "casting the net widely" and the dynamic process of developing operational programs place a premium on continuous learning and improvement. As a consequence, the GEF will emphasize the quality of monitoring and evaluation systems and ensure that their findings are disseminated widely. In preparing operational programs consistent with the operational strategy, a project framework approach will be adopted that will allow the GEF to monitor and track progress in fulfilling its mission.

Complement Traditional Development Funding

The GEF provides new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits (see paragraph 2 of the *Instrument for the Establishment of the Restructured Global Environment Facility* and Document GEF/C.2/6/Rev.2, "Incremental Costs and Financing Modalities"). This principle, articulated in the Conventions on biological diversity and on climate change, and in the GEF Instrument, has two important ramifications with regard to financing:

- GEF funding should be used only for incremental costs. Actions by individual countries to achieve sustainable development at the national level can be complemented and supplemented by other efforts aimed at securing global environmental benefits. Efforts to secure global environmental benefits may impose additional costs (i.e., incremental costs) on countries beyond

[25] In light of Council guidance on this matter, the Secretariat will prepare for consideration by the Council at its meeting in April 1996 a proposal for a GEF policy on public involvement.

the costs of achieving national development goals. In estimating incremental costs, the GEF will follow the approach approved by the Council.[26] In approving the approach to estimating incremental costs, the Council recognized the need for its flexible application, including the notion of "environmental reasonableness" as a guiding principle so as not to penalize progressive environmental action in recipient countries.

- The GEF should ascertain that its resources are applied as new and additional funding, not substitutes for regular sources of development finance. The principle that GEF funds will be additional to the funds required for national sustainable development helps to ensure that scarce resources are not diverted from development financing and to maximize global impact of GEF resources. The GEF will not provide budgetary financing for the staff or activities of international organizations or other international bodies, to fulfill their own mandates, even those concerned with the global environment.

Facilitate Effective Responses by Other Entities to Address Global Environmental Issues

The GEF will promote and encourage actions to benefit the global environment beyond those it directly funds:

- Through integration of GEF work programs with the regular programs of the three Implementing Agencies, GEF resources will complement the funds and assistance they provide to recipient countries. The Implementing Agencies will, in turn, finance and/or help mobilize financing to meet the non-incremental costs of GEF projects.
- Through outreach to not only governments, but also to non-governmental organizations and the private sector, the GEF will encourage broad actions to protect the global environment.
- The GEF will selectively promote projects that would normally be considered part of an "environmentally reasonable baseline". In such cases, the GEF may facilitate information dissemination, advice and other sources of financing.[27] For projects that provide either lessons beyond their immediate impact or long-term sustainable global benefits, the GEF will help the countries to reduce initial financial risks, remove barriers and meet transaction costs, or build markets to an extent that lowers future costs for further application of measures of the same type.
- The GEF will actively encourage bilateral, regional, and other multilateral organizations and foundations to contribute to or co-finance activities to address global environmental objectives.
- The GEF will leverage additional financing through collaboration with the private sector.[28]
- The GEF will support innovative financing approaches to ensure that recurrent costs of funded activities are met without continued GEF support.[29]

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[26] This approach is described in Document GEF/C.2/6/Rev.2 as amended by the Council at its meeting in May 1995.

[27] Paragraph 9(c) of the Instrument provides that "GEF concessional financing in a form other than grants that is made available within the framework of the financial mechanism of the conventions referred to in paragraph 6 shall be in conformity with eligibility criteria decided by the Conference of the Parties of each convention, as provided under the arrangements or agreements referred to in paragraph 27. GEF concessional financing in a form other than grants may also be made available outside those frameworks on terms to be determined by the Council."

[28] See paragraph 28 of the Instrument. An information paper on how the GEF may best promote private sector activities was presented to the Council for comment in October 1995.

- The GEF will examine the role it might play in facilitating and promoting international cooperation, thereby leveraging GEF financing to address global environmental objectives in a multi-country and multi-actor context.

Be Environmentally, Socially, and Financially Sustainable

The focus of GEF activities will concern long-term measures. Such measures, if they are to be part of a long-term solution, will have to be environmentally and socially sustainable, and not merely benign forms of current, but unsustainable, activities. Furthermore, the measures will need to be financially sustainable. Individual projects are financially sustainable if their design includes a means of ensuring a stable long-term source of funding for recurrent costs. Programs are financially sustainable if the initial GEF support reduces financial risk, overcomes transaction barriers, or builds markets to an extent that lowers future costs for measures of the same type.

Avoid Transfer of Negative Environmental Impacts Between Focal Areas
In preparing GEF projects, the Implementing Agencies will consider potential environmental effects in other focal areas. All efforts will be made to design projects that are consistent with the operational strategies of the other focal areas and avoid negative impacts in focal areas outside of the focus of the project.

Programming of GEF Operations

In view of the GEF's limited resources and the finite capacities of recipient countries and Implementing Agencies to program activities at any given time, the GEF must structure and sequence activities to best achieve global environmental objectives. The sequencing of GEF tasks will be a dynamic process, shaped in part by the evolving nature of guidance from the relevant Conventions and the increased capacity for program development.

GEF operations will be programmed in three broad, interrelated categories:
- Operational programs
- Enabling activities
- Short-term response measures.

Operational Programs

An operational program is a conceptual and planning framework for the design, implementation, and coordination of a set of projects to achieve a global environmental objective in a particular focal area. It organizes the development of country-driven projects and ensures systematic coordination between the Implementing Agencies and other actors.

[29] A policy paper on financial policy, including financing modalities, will be considered by the Council in April 1996.

In the focal areas of biological diversity and climate change, operational programs will be developed in accordance with the program priorities approved by the Conference of the Parties to the Conventions. International waters programs will be developed in accordance with the evolving program priorities determined by the Council. There will be no operational programs for the focal area concerning ozone layer depletion. Activities in this focal area will be focused on short-term response measures and enabling activities consistent with the Montreal Protocol on Substances that Deplete the Ozone Layer and its amendments. Country-driven project concepts and advice of the Scientific and Technical Advisory Panel (STAP) will also contribute to the identification and development of operational programs.

Each operational program will be described in a short reference document prepared by the GEF that takes into account the advice of STAP and builds on appropriate environmental, economic, and technical assessments and strategies. The operational program document will:

- Clarify the program objectives (for example, specify a market, technology, type of measure, or site-specific ecosystem)
- Relate the operational program to relevant Convention guidance where appropriate
- Relate the operational program to relevant past and ongoing work of other organizations
- Set out the likely scope of the activities in terms of geographical distribution, time frame, and financial requirements
- Set out the means by which the Implementing Agencies will coordinate their efforts within the GEF and with their regular programs.
- Describe the expected roles of investment, capacity building, enabling activities, technical assistance, and targeted research
- How the sustainability and replicability of the measures supported will be ensured
- Include assessment of cost effectiveness and incremental costs to maximize global environmental benefits
- Describe how the program will be monitored and evaluated

The objectives of operational programs will be met through the development and implementation of projects in recipient countries. Operational programs will be matched with country-driven project opportunities and priorities. Many country-driven project opportunities in support of the objectives of an operational program are likely to be included in national strategies and action plans. As project ideas and concepts are initially explored, one consideration will be whether the project idea contributes to the objectives of an operational program.

Country-driven project concepts may emerge for which an immediate matching with a GEF operational program does not exist. These concepts will be explored further to determine whether they provide a basis for a new operational program. Flexibility will be an integral element of this strategy so that the GEF may learn from and be responsive to the strategic insights of recipient countries. The Council, the Conventions, and STAP will provide important guidance in the ongoing process of developing operational programs. Promising project concepts outside the framework of an operational program may be considered for support under short-term response measures. Consideration of individual project

concepts outside the framework of an operational program will be guided principally by the urgency of action and cost-effectiveness in relation to the GEF's mission.

On the basis of guidance from the Conventions, extensive consultations, and technical and scientific review, 10 initial operational programs are proposed, see box 1.2. Chapters two through five provide further elaboration.

Box 1.2 Initial Operational Programs

1. Biodiversity: Arid and semi-arid ecosystems
2. Biodiversity: Coastal, marine, and freshwater ecosystems (including wetlands)
3. Biodiversity: Forest ecosystems
4. Biodiversity: Mountain ecosystems
5. Climate change: Removing barriers to energy conservation and energy efficiency
6. Climate change: Promoting the adoption of renewable energy by removing barriers and reducing implementation costs
7. Climate change: Reducing the long-term costs of low greenhouse gas-emitting energy technologies
8. International waters: Waterbody-based program
9. International waters: Integrated land and water Multiple Focal Area
10. International waters: Contaminant-based program

Note: In the focal area of ozone layer depletion, all activities are discussed in the sections on enabling activities and short-term response measures.

Enabling Activities

Enabling activities -- which include inventories, compilation of information, policy analysis, and strategies and action plans -- represent a basic building block of GEF assistance to countries. They either are a means of fulfilling essential communication requirements to a Convention, provide a basic and essential level of information to enable policy and strategic decisions to be made, or assist planning that identifies priority activities within a country. Countries thus enabled will have the ability to formulate and direct sectoral and economywide programs to address global environmental problems through a cost-effective approach within the context of national sustainable development efforts. Enabling activities will normally qualify for full cost funding when they are directly related to agreed global environmental benefits and consistent with the Convention's guidance.[30]

Enabling activities will include preparation of a plan, strategy, or program to fulfill commitments under a relevant Convention and preparation of a national communication to a relevant Convention, where appropriate.[31]

[30] The term 'enabling activities' has been defined in the context of the guidance to the GEF from the Conference of the Parties to the Framework Convention on Climate Change. The concept can usefully be extended to the biodiversity and ozone layer depletion focal areas.

[31] The scope of work in biodiversity and climate change will be in accordance with the guidance of the respective Conference of the Parties and will continue to evolve as such guidance is developed by the Parties

Operational guidelines and criteria will be developed for these enabling activities in order to clarify the basis of possible GEF support, its complementarity to past and ongoing support, and its focus on the task of preparing a particular strategy, plan, program, or communication. The guidelines will also set out the scope, sequence, depth, frequency, and cost norms for the envisaged components of such support.

Short-Term Response Measures

Although the large majority of GEF activities will contribute directly to operational programs or enabling activities, some projects that are unrelated to either of these two categories will be of sufficiently high priority that they may be considered for financing. Such projects would not be expected to yield significant strategic or programmatic benefits as in the case of operational programs, but they would yield short-term benefits at a low cost. For example, climate change projects aimed *solely* at reducing the net emissions of greenhouse gases or urgent measures to conserve an extremely endangered species may be considered under this category. Criteria for selection of short-term response measures in each focal area are included in chapters two through five.

Conclusion

The Council will review a three-year business plan and an administrative budget on an annual basis. The business plan will provide information on existing operational programs, programs under development, and proposals for new programs. Proposals for new programs may emerge as a result of guidance from the relevant Conventions and the Council, new project concepts, or the advice of STAP. In exercising its oversight and policy functions, the Council will be fully informed of the activities of the Secretariat and the Implementing Agencies in developing and implementing the operational programs, enabling activities, and short-term response measures

Chapter 2: Biological Diversity

Biodiversity is a source of significant economic, aesthetic, health, and cultural benefits, which form the foundation for sustainable development. Although estimates vary, [32] there is general scientific consensus that the world is becoming less biologically diverse in terms of genes, species, and ecosystems. However, the role of biological diversity in the sustainable functioning of the biosphere is not well understood. There is little understanding of the social, economic, or ecosystemic consequences of a less biologically diverse world, and scientific knowledge is limited. Scientists estimate that less than 15 percent of all species have been described.

Rapid loss of biodiversity poses a global threat to human well-being. The scale of human impacts on biological diversity is increasing exponentially, primarily because of worldwide patterns of consumption, production, and trade; agricultural, industrial, and settlements development; and population growth.

Biodiversity is not equally distributed throughout the world.[33] Rates of biodiversity loss vary across ecosystems, and ecosystems vary in their level of species richness. For example, tropical ecosystems are estimated to house between 50 and 90 percent of total species.[34] Neither the economic nor the ecosystemic value of biodiversity resources is well understood. In particular, there is insufficient knowledge of the interdependence of species within ecosystems and the impact of the extinction of one species on others. Reducing the rate of biodiversity loss and conserving existing biodiversity as a basis of sustainable development remain major global challenges.

Adoption of the Convention on Biological Diversity (CBD) as an instrument to address biodiversity conservation and sustainable use recognizes the intrinsic value of biological diversity and its importance for the evolution and sustenance of life support systems of the biosphere. The CBD expresses the Parties' concern that biological diversity is being significantly reduced by certain human activities and notes that it is vital "to anticipate, prevent and attack the causes of significant reduction or loss of biological diversity at source."[35] The CBD also states that "where there is a threat of significant reduction or loss of biological diversity, lack of full scientific certainty should not be used as a reason for postponing measures to avoid or minimize such a threat."[36]

The GEF operates as a mechanism for international cooperation for the purpose of providing new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve

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[32] See World Resources Institute, World Conservation Union, and UnitedNations Environment Programme, especially chapter 2, A 1992 report by theUnited Nations Environment Programme, *"Global Biodiversity Strategy: Guidelines for Action to Save, Study, and use Earth's Biotic Wealth Sustainably and Equitably."*

[33] World Conservation Monitoring Centre (WCMC), Global Biodiversity 1992; Chapman and Hall, UK..

[34] *Global Biodiversity Strategy* chapter 2.

[35] Preamble to the Convention on Biological Diversity, 1994.

[36] Preamble to the Convention on Biological Diversity, 1994.

agreed global environmental benefits in biological diversity. Global environmental benefits obtained under the CBD include reduced risks of global biodiversity loss, the enhanced protection of ecosystems and the species they contain, and increased sustainability in the use of biodiversity components.

The GEF's objectives in biological diversity derive from the objectives of the CBD: "the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits arising out of the utilization of genetic resources, including by appropriate access to genetic resources and by appropriate transfer of relevant technologies, taking into account all rights over those resources and to technologies, and by appropriate funding."[37] All GEF funded activities concerning biodiversity will be in full conformity with the guidance provided by the Conference of the Parties to the Convention on Biological Diversity.

Convention Guidance

The GEF operational strategy in biological diversity incorporates the policy guidance of the COP to the CBD. All GEF-funded activities in biodiversity will be in full conformity with the guidance provided by the COP to the CBD.

Convention context The COP designated the GEF to serve as the institutional structure to operate the financial mechanism of the CBD on an interim basis.[38] At its first meeting, the COP provided the GEF with guidance on policy, strategy, program priorities, and eligibility criteria, included in the appendix to this chapter.[39] [40]This operational strategy is fully consistent with the Convention guidance.

Non-convention context Only developing-country parties are eligible to receive funding through the financial mechanism of the Convention. When the GEF provides assistance outside the financial mechanism, it will ensure that such assistance is fully consistent with the guidance provided by the COP to the CBD.

Strategic Considerations

The main strategic considerations guiding GEF-financed activities to secure global biodiversity benefits are: (a) integration of the conservation and sustainable use of biodiversity within national and, as appropriate, subregional and regional sustainable development plans and policies; (b) helping to protect and sustainably manage ecosystems through targeted and cost-effective interventions; (c) integration of efforts to achieve global benefits in other focal areas, where feasible, and in the cross-sectoral area of land

[37] Convention on Biological Diversity, Article 1.

[38] Decision I/2, "Financial Resource and Mechanism," Report of the First Meeting of the Conference of the Parties to the Convention on Biological Diversity, UNEP/CBD/COP/1/17, February 28, 1995.

[39] The first meeting of the Conference of the Parties was held in Nassau, Bahamas, November 28-December 9, 1994.

[40] "Policy, Strategy, Programme Priorities and Eligibility Criteria for Access to and Utilization of Financial Resources of the Convention on Biological Diversity" (UNEP/CBD/COP/1/17; Annex 1, pp. 33-34), referred to hereafter as "Criteria." The full text is included as an appendix to this chapter.

degradation, primarily desertification and deforestation; (d) development of a portfolio that encompasses representative ecosystems of global biodiversity significance; and (e) that GEF activities will be targeted and designed to help recipient countries achieve agreed biodiversity objectives in strategic and cost-effective ways.

Sustainable achievement of global biodiversity benefits will greatly depend on the extent to which GEF activities are country-driven; respond to programs of national priority and that fulfill the obligations of the Convention; and are related to appropriate national policy frameworks and plans of sectoral, economic, and social development.

Where feasible and cost-effective, activities will be designed to contribute to global environmental benefits in other focal areas and in the cross-sectoral area of land degradation. For example, actions to sequester carbon and minimize land degradation may offer opportunities for biodiversity conservation, and international waters activities may offer opportunities for integrating aquatic biodiversity components.[41]

Land Degradation

Dryland ecosystems contain a significant endowment of plant and animal species and display high habitat diversity. These are under severe periodic droughts which affect them and their resources. Dryland species exhibit notably restrictive geographical ranges and high endemism and have a wide range of morphological, physical, and chemical adaptations to their harsh environment. Drylands also are the center of origin of many important food crops (for example, wild wheat, lentil, barley, olive, and pistachio); are a source of important commercial and industrial products (for example, gums, resins, waxes, oils, and biocides); and provide critical habitat for wildlife and ecosystem diversity. Forests harbor biodiversity; and deforestation through agricultural expansion, urban expansion, unsustainable direct extraction, and fuelwood collection, for example, causes land degradation and biodiversity loss. The GEF will fund activities addressing land degradation issues as they relate to biodiversity issues that:

- Protect biodiversity and promote sustainable use in arid, semi-arid and mediterranean-type ecosystems.

[41] Biodiversity concerns cut across the GEF focal areas and cross-sectoral issues:

(a) Climate change examples include programs that increase reforestation with indigenous plant species for carbon sequestration in ecologically important areas.
(b) International waters examples include actions seeking prevention of ecological degradation of critical water habitats (wetlands, estuaries, lakes); programs to prevent the introduction of exotic species; and projects that address over exploitation of key marine environments such as coral reefs or of specific species through unsustainable harvesting practices.
(c) Ozone depletion examples include the impacts of methyl bromide-based fungicides (ozone-depleting substances) and their impact on biodiversity.
(d) Land degradation examples include prevention of land degradation and the link with deforestation and unsustainable agricultural practices.

- Prevent deforestation and promote sustainable use and sustainable management of forests or forested areas in order to conserve their biodiversity.

Portfolio Considerations

A portfolio that provides for a high level of representativeness of global ecosystems will be developed.[42] It is difficult to define a precise sampling technique that would provide for a globally representative biodiversity portfolio because there is uncertainty about the level of species richness and its value within ecosystems; and relationships between ecosystems are uncertain. Therefore, a portfolio will be developed from a broadly representative base of globally important ecosystems including their habitats, while recognizing the potential importance of particular species and endemism-rich ecosystems.[43] Within representative ecosystems, particular attention will be given to the degree of threat (for example, for coastal and marine resources), level of vulnerability (for example, for arid and semi-arid areas, mountain regions, and freshwater systems), and priority status at national and regional levels.[444546]

The GEF's biodiversity operations will be programmed in three categories: (a) operational programs for long-term protection and sustainable use of biodiversity, where the bulk of GEF funding will be concentrated; (b) enabling activities, prepared and scheduled in accordance with operational criteria; and (c) short-term response measures that offer cost-effective opportunities to conserve and sustainably manage biodiversity. All GEF-financed biodiversity activities will promote the use of local and regional expertise.

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[42] At its first meeting, the Conference of the Parties identified as a program priority "strengthening conservation, management and sustainable use of ecosystems and habitats identified by national Governments, in accordance with article 7 of the Convention." Article 7 of the Convention provides that a contracting party is to identify components of biological diversity important for its conservation and sustainable use having regard to the indicative list of categories set down in Annex I.

The criteria set down in Annex I of the Convention are:

1. Ecosystems and habitats: containing high diversity, large numbers of endemic or threatened species, or wilderness; required by migratory species; of social, economic, cultural or scientific importance; or, which are representative, unique or associated with key evolutionary or other biological processes;

2. Species and communities which are: threatened; wild relatives of domesticated or cultivated species; of medicinal, agricultural or other economic value; or social, scientific or cultural importance; or importance for research into the conservation and sustainable use of biological diversity, such as indicator species; and

3. Described genomes and genes of social, scientific or economic importance.

[43] There has been considerable academic debate on methodologies to determine relative priorities in global biodiversity, and no consensus has yet been reached. Further efforts will be required in this field, and STAP could be requested to play a role on advising the GEF Secretariat on the scope of priority-setting methods and approaches.

[44] Criteria, 4 (k).

[45] Criteria, 4 (k).

[46] Criteria, paragraphs 3 and 4(a)

Operational Programs

The GEF will develop operational programs based on ecosystems (including species and genes). There are compelling scientific reasons for addressing biodiversity management within the framework of ecosystems. Ecosystem management allows the integration of scientific knowledge of ecological relationships with that of sociopolitical conditions and values to achieve biodiversity protection and sustainable management. The ecosystem approach also permits the management of biodiversity by taking into account the interrelationships among its components, including species and gene pools. Protection and sustainable management of ecosystems require a long-term commitment and a range of coordinated policy program and project interventions at a national level, a regional level, or both, as well as successful integration into the wider economic, social, and cultural contexts.

Operational programs for long-term biodiversity protection and sustainable use will be initially developed for arid and semi-arid ecosystems; coastal, marine, and freshwater ecosystems; forest ecosystems; and mountain ecosystems.

These ecosystems were selected in full conformity with the COP guidance, and based on criteria of species diversity, endemism, and degree of threat. They take into account the considerations of:

- Making systematic progress in securing global biodiversity objectives on the basis of a set of representative and complementary ecosystems of global biodiversity significance.
- Providing a practical organizing framework for the design and implementation of cohesive systems of national actions involving coordination of international, intersectoral, and interagency activities to achieve agreed global biodiversity benefits.
- Providing a basis for the further development of synergistic activities that will yield strategic and programmatic impacts.
- Providing a workable basis for programmatic monitoring and evaluation of the effectiveness of GEF's biodiversity activities.

Additional operational programs could be developed for other ecosystems in conformity with the guidance of the COP to the CBD.

Arid and Semi-Arid Ecosystems

Activities in this operational program will focus on the conservation and sustainable use of endemic biodiversity in the dryland ecosystems including grasslands, primarily in Africa, and in Mediterranean-type ecosystems, where biodiversity is threatened by increased pressure from more intensified land use, drought, and desertification, often leading to land degradation. GEF-financed activities will emphasize the prevention and control of land degradation through development of sustainable use methods for biodiversity conservation, including the management of freshwater systems, in countries experiencing serious land degradation. Activities will demonstrate integrated approaches to the conservation of representative natural habitats and ecosystems through effective systems of conservation areas, including protected areas, introduction of sustainable land use systems, and strategic interventions to rehabilitate

degraded areas. Special attention will be given to the demonstration and application of techniques, tools, and methods to conserve traditional crops and animal species in their original habitats.

Coastal, Marine, and Freshwater Ecosystems

Activities in this operational program will concentrate on the conservation and sustainable use of biodiversity in the coastal, wetland, mangrove, estuarine, marine, and freshwater ecosystems. Projects will involve integrated approaches to coastal area development and lakes and rivers management, and will strengthen the network of conservation areas, including protected areas, to conserve coastal, marine, and freshwater biodiversity. The needs of tropical island ecosystems will receive particular attention. Several activities in this program will be implemented in conjunction with the international waters focal area and will involve international cooperation at the regional level.[47]

Forest Ecosystems

Activities in this operational program will involve the establishment and strengthening of systems of conservation areas, including protected areas, and demonstration and development of sustainable use methods in forestry as part of integrated land management in agricultural and forest landscapes, focusing primarily on tropical and temperate forest ecosystems areas at risk. Particular attention will be given to demonstration and application of techniques to conserve wild relatives of domesticated plants and animals for the sustainable use of biodiversity, conservation of areas of importance for migratory species, strengthening of conservation area networks, and development of sustainable use methods in forestry. Regional projects involving international cooperation will also be supported. Sizable funds from sources other than the GEF (e.g., multilateral, bilateral, and NGOs) are currently devoted to protection and management of forest ecosystems. GEF funds will complement ongoing efforts, as appropriate, and help to scale up and replicate successful initiatives focusing on global objectives, promote best practices, and help design and implement cohesive programmatic approaches.

Mountain Ecosystems

Activities in this operational program will initially address the conservation and sustainable use of biodiversity areas under increasing human pressure and imminent threat of degradation, including the Mesoamerican, Andean, East African, and Himalayan regions and the mountainous regions of the Indochina peninsula, and tropical islands. Through these activities, the GEF will seek to establish sustainable land use practices on mountain slopes in order to protect representative habitats and strengthen the network of representative conservation areas in the alpine, mountain grassland, montane forest zones, and freshwater systems. Activities that link mountain ecosystems with lowland ecosystems through corridors and those that demonstrate and apply best practices for integrated landscape management will be included. Regional activities involving cooperative management of chains of mountains, river basins, and watersheds will also receive support.

[47] The recent (1995) Great Barrier Reef Marine Park Authority/World Bank/IUCN volumes of *A Global Representative System of Marine Protected Areas* will provide significant input to this operational program.

Considerations in Developing Operational Programs

Within the framework of each operational program, country-driven, site-specific activities will be developed. These will be based both on information from country-level or regionally based activities currently underway or planned, and on key strategic and policy issues involved in protecting and sustainably managing the ecosystem at the particular site. Each operational program will identify key actions to be undertaken on the basis of country-based information and dialogue. Each operational program will define how the Implementing Agencies will coordinate their efforts both in managing GEF activities and in seeking sufficient funds and opportunities to support the objectives of the operational program through their regular programs. Each operational program will provide a framework for establishing an appropriate balance among institutional strengthening (including technical assistance), investment, and targeted research. Specific activities will differ depending on the ecosystems concerned and site-specific conditions.

Each operational program will encompass, in an integrated manner, two types of measures that are central to biodiversity: (a) long-term protection and (b) sustainable use. Other considerations that will guide the development of activities in each operational program, as appropriate, are: (c) underlying causes and policies, (d) stakeholder involvement, and (e) targeted research.

Biodiversity conservation activities Initial emphasis of operational programs will be placed on *in situ* activities within and adjacent to conservation areas, including designated areas of biological importance. Representativeness and complementarity of ecosystems will be sought. These efforts will take into account national priority areas identified pursuant to Article 7 of the Convention, as well as scientific assessments completed under other international conventions or international programs on the subject.[48] However, countries may seek assistance to demarcate, identify, and conserve other potentially important biodiversity reserves, including significant cultural heritage elements.

Conservation activities will be comprised of direct management interventions, planning of resource use as well as promotion of sustainable development alternatives to ensure that livelihoods can be secured in and around the protected areas. Activities will seek to incorporate protected areas into larger landscapes or seascapes. In addition, attention will be given to integrated conservation and development projects to

[48] Although there is no universally agreed classification for establishing the global importance of protected areas, a number of reference materials identify such sites. Efforts could be focused on sites listed in one or more of the following: Directory of Wetlands of International Importance (RAMSAR); World Heritage Sites (as included in the World Heritage Convention); Biosphere Reserves (UNESCO) of international importance and as also recorded by the World Conservation Monitoring Centre (WCMC), *Global Biodiversity*, 1992; *Bird Areas of International Importance* (Bird-Life International); *Centers of plant diversity,* IUCN, 1987, IUCN Threatened Plants Unit, Kew, U.K.; and *Global Biodiversity*, pp. 66-67; and Regions of Diversity of Crop Plants (WCMC, pp. 338-42). These efforts, while useful in their own right, point out the need to strengthen an overall system for classifying and assessing the global significance of biodiversity sites.

avoid creating “magnets” for immigration in buffer zones and exacerbating threats to biodiversity in the protected areas.

Activities within the framework of operational programs to secure long-term biodiversity protection will include:

- Demarcating, gazetting, strengthening, and expanding of protected areas
- Establishing long-term funding mechanisms for long-term biodiversity protection, including trust funds, to ensure provision for recurrent costs
- Developing integrated conservation and development projects around protected areas
- Creating participatory schemes for natural resource management, including that of buffer zones, by local communities, indigenous groups, and other sectors of society, consistent with biodiversity conservation and sustainable use
- Developing demonstration projects linked to alternative livelihoods for local and indigenous communities
- Applying technology (such as geographical information systems) for biological inventorying, rapid assessment, impact measurement, and gap analysis in integrated planning and management of designated conservation areas, including protected areas
- Support training for staff in government agencies responsible for protected area management

Sustainable use of biodiversity The success of biodiversity conservation efforts will depend on how well the overall landscape is managed. It is simply not possible to conserve all species in a region by using conservation areas alone. Biodiversity conservation and sustainable use must also be achieved outside the designated conservation areas, including protected areas, and must be integrated into the management of the natural and modified surrounding areas. A range of uses is possible -- from full protection on strict reserves through various forms of multiple use, with conservation easements, to full-scale use such as intensive agriculture, forestry, livestock production, and urban development. Restoration and rehabilitation of unique habitats under threat in areas of high diversity or endemism will also contribute to conservation and sustainable use. Activities that involve biodiversity management within the productive sectors of an economy are likely to lead to long-term sustainability because they will help address the underlying causes of biodiversity loss. Several sectors, such as forestry, agriculture, fisheries, and tourism draw upon biodiversity assets.

Incremental costs of activities for conservation and sustainable use of biological resources will be developed within national policy and regulatory frameworks and within the context of the operational programs. They will include:

- Integration of biodiversity conservation and sustainable use objectives into land use and resource use management plans
- Establishment of regulatory frameworks and incentive systems to minimize the harmful impact of economic activities on natural resource use
- Facilitation of access to, transfer of, and cooperation for joint development of technology for sustainable management and use of biodiversity resources

- Promotion of sustainable production and use of natural products, such as nontimber forest products, wild relatives of domesticated species, and agrobiodiversity-related products, including the development and implementation of sustainable harvesting and marketing regimes
- Development of environmentally sustainable nature-based tourism
- Participatory schemes for sustainable natural resource management, including that of buffer zones, by local communities, indigenous groups, and other sectors of society
- Integrated pilot projects to provide alternative livelihoods to communities, consistent with biodiversity conservation and sustainable use

Sustainable use of biological resources is a prerequisite for their long-term conservation. However, in most cases, it is not possible to accurately predict the impacts on ecosystems, habitats, species, or gene pools of innovative approaches to conservation and sustainable use of biodiversity. In addition, the risks of introducing perverse incentives that lead to overharvesting and destruction of natural resources are significant. Activities that involve harvesting of wild resources (for example, wildlife, nontimber forest products) pose special risks. It is, therefore, a priority to develop sustainable use methods that do not degrade biodiversity in agriculture, forestry, and fisheries. Therefore, sustainable use activities will require close monitoring of: species selection; information on current occurrence, density, and other demographic parameters of biological resources, including yield studies and regeneration surveys; and actual impacts of harvesting, so that harvesting levels and methods can be adjusted as needed.

Underlying causes and policies Biodiversity loss occurs through direct and indirect causes. These causes are typically multiple and synergistic. They involve complex interactions of demographic, social, ecological, economic, and cultural factors.[49] The levels of causality may include proximate causes (where human action, such as land clearing, directly induces biodiversity loss), intermediate causes (such as inappropriate economic policies and legal ownership and tenure circumstances), and ultimate causes (such as population growth, poverty, low standards of living, lack of social development which increases pressure on natural resources, and overconsumption of resources).[50]

Addressing all underlying causes of biodiversity loss is beyond the GEF's mandate and ability.[51] Yet recipient countries must ascertain the range and importance of causal factors and their role in biodiversity loss and its amelioration. For example, appropriate adjustments in economic and social development

[49] See, for example, *Economics and the Conservation of Global Biological Diversity*: Katrina Brown, David Pearce, Charles Perrings, and Timothy Swanson. Working Paper Number 2 Global Environment Facility. Chapter 3, *The Economic Causes of Biodiversity Erosion* provides a succinct summary of the key variables affecting biodiversity loss. See also figure 5.1, which provides a schematic summary of factors affecting global biological diversity.

[50] R. Cervigni, *Incremental Cost of Biodiversity Conservation,* CSERGE, 1994. The UN Commission on Sustainable Development is investigating the issue of consumption and production patterns.

[51] For example, it is unlikely that the GEF will fund population programs, direct antipoverty interventions, or potable water schemes, even if these were identified as causal factors affecting the deterioration of biodiversity. Such programs would normally be of high national priority and be an integral part of national economic and social development plans and policies.

policies may offer cost-effective, long-term solutions to biodiversity protection problems.[52] Although the GEF will concentrate its efforts on addressing the proximate and intermediate causes of biodiversity loss, it will, through the Implementing Agencies' regular country assistance and awareness-building programs, facilitate efforts to address the ultimate causes of biodiversity loss.

Within the context of operational programs, GEF-financed activities will include:

- Identification and analysis of major causes (proximate, intermediate, and ultimate) of biodiversity loss, activities to build awareness of these causes, and assessment of feasible actions to address them.
- Application of analytical tools for decision-making (for example, valuation, indicators, impact assessment); promotion of partnerships to address the underlying causes; dissemination and systematic sharing of information, including on best practices; and incorporation of biodiversity concerns in the mainstream activities of Implementing Agencies.
- Incremental investments and technical assistance to help implement remedial measures, such as capacity building, including human resource development, shifts in economic and social policy, and introduction and strengthening of legal, institutional, and regulatory systems; and to promote the integration of biodiversity conservation in agriculture, forestry, fisheries, wildlife and water management, tourism, and other relevant sectors.
- Introduction of innovative measures, including economic incentives, for the conservation and sustainable use of biodiversity.[53]

Stakeholder involvement and social issues Issues of poverty, social development, sustainable livelihoods, and access to common property resources are closely linked to biodiversity conservation and sustainable use. Participation of affected stakeholders, including indigenous peoples, is of central importance, especially in the case of communities that reside inside protected areas and their immediate surroundings.[54] Effective involvement of local people in GEF's biodiversity activities must be based on knowledge of their social, cultural, and economic context and their impacts on biological resources. Important factors in designing strategies for effective participation of stakeholders in global biodiversity objectives include access to land and other resources; governance systems relating to conflict management; distribution of benefits and accountability for conserving key resources; and demographic

[52] The removal or reduction of economic distortions that are generally beneficial to the economy of a country in question may simultaneously benefit the environment and biodiversity. Case study work at the country level would be able to assess the likely impact of removing economic distortions. Numerous publications testify to this, but see especially D.W. Pearce and J. Warford, *World Without End: Environment, Economics and Sustainable Development*, (New York: Oxford University Press, 1993).

[53] "Criteria", paragraph 4(i).

[54] Article 8(j): "Subject to its national legislation, respect, preserve and maintain knowledge, innovations and practices of indigenous and local communities embodying traditional lifestyles relevant for the conservation and sustainable use of biological diversity and promote their wider application with the approval and involvement of the holders of such knowledge, innovations and practices and encourage the equitable sharing of the benefits arising from the utilization of such knowledge, innovations and practices;"

composition, gender roles, and social organization processes that influence human and environmental interactions.

GEF activities will incorporate the lessons from implementing participatory approaches into community-based management of biodiversity projects. These include integrated conservation and development projects in which social needs are integrated into project design; comanagement of resources, through contracts or negotiations with governments that define each stakeholder's responsibilities in managing the resource; and devolution of management to local groups and nongovernmental organizations (NGOs). Local, national, and international NGOs have played important roles by providing needed expertise in facilitating stakeholder participation and conducting scientific and technical studies, inventories, social assessments, and community-based outreach.

Targeted research The GEF will fund targeted research, including information collection, analysis, and dissemination, only in the context of the operational programs. Targeted research will be guided by the following considerations:

- Because biodiversity is highly site-specific, baseline research, inventorying, and monitoring will be supported in recipient countries to help develop site-specific activities within the framework of operational programs.
- The GEF could play a facilitating or complementary role in cofunding strategically significant efforts in applied biodiversity research to help develop activities in recipient countries to achieve Convention objectives with special emphasis on conservation and sustainable use methods.
- Support is needed in many recipient countries in the application of analytical tools and methodologies, including the use of modern information technologies, to monitor biodiversity and to plan for its conservation and sustainable use.[55]

Potential areas for targeted research in biodiversity could include, for example, implementation of rapid (ecological/biological) assessment methods; technology applications for sustainable resource use in agriculture, forestry, and fisheries; incorporation of social dimensions in the management of conservation areas, including protected areas; and assistance to existing biodiversity research and monitoring institutions.[56] GEF funds will not be used to finance basic research or to create new research institutions. The GEF also will not fund the recurrent costs of research.

Enabling Activities

The concept of "enabling activities" has not been formally adopted by the COP of the CBD, although many enabling activities, as described generically in the first chapter, are of direct relevance to biodiversity and are recognized as priority activities by the CBD.[57]

[55] This is suggested as an enabling activity by the Inter-Agency Task Force on Biodiversity.

[56] The UNEP, in consultation with STAP, is preparing a draft paper on targeted research relating to GEF activities.

[57] See the Convention on Biological Diversity: Preamble; Articles 6, 7(b), 12, and 18(2); and CBD guidance (footnote 7): 4(c), (h), and (j).

Enabling activities in biodiversity prepare the foundation for design and implementation of effective response measures required to achieve Convention objectives.[58] They will assist recipient countries to develop national strategies, plans, or programs referred to in Article 6 of the CBD, and to identify components of biodiversity together with processes and activities likely to have significant adverse impacts on conservation and sustainable use of biodiversity pursuant to Article 7 of the CBD. They will normally involve the review and assessment of information and will assist a recipient country to gain a better understanding of the nature and scope of its biodiversity assets and issues as well as a clearer sense of the options for the sustainable management and conservation of biodiversity.[59] Enabling activities include supporting country-driven activities that take stock of, or inventory existing biodiversity by relying on national programs and studies, without new primary research. The activities also include identifying options and establishing priorities to conserve and sustainably use biodiversity; preparing and developing biodiversity planning exercises, such as national strategies, action plans, and sectoral plans; and disseminating of information through national communications to the CBD.[60]

Many countries already have a significant quantity of useful information and a number of assessments of biodiversity which can be utilized in planning. In addition, there exists a variety of approaches and practices for planning biodiversity conservation and sustainable use. It is essential to promote synergy and coordination among such initiatives within the recipient countries and among donors. When enabling activities are aimed at providing countries with the basic information on which to act, they will normally be regarded as incremental and will be funded on the basis of full cost reimbursement. Support to further develop in-country and sectoral plans, programs, and activities in light of global objectives will be based on incremental cost financing.

As a follow-up to enabling activities, some Parties may require further capacity building to implement agreed activities, to establish or strengthen institutional and legal frameworks, or to undertake action-oriented research to conserve biodiversity. Capacity building for such follow-up will be undertaken within the context of operational programs.

Operational criteria will be developed:

- To set out the scope, sequence, depth, and typical cost norms for various components of enabling activities in biodiversity.

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[58] *Final Report of the Meeting of the Task Force on GEF Enabling Activities under the CBD*, April 5-6, 1995, Nairobi. The task force identified a fourth category of activity: "enabling activities for general use rather than country-specific (for example, development of guidelines for biodiversity planning.") However, such activities also relate to targeted research and, as such, will be reviewed in that context.

[59] The GEF Secretariat has established an Inter-Agency Task Force on Biodiversity. It reviews all biodiversity project and activity proposals and undertakes ad hoc review work. The task force was convened in April 1995, to specifically review enabling activities in biodiversity. The CBD Secretariat was invited to chair the meeting, which was hosted by the UNEP on April 5-6, 1995. It reviewed (a) the definition and scope of enabling activities in biodiversity; (b) systems needed to ensure programmatic cohesion and cost effectiveness; and (c) preliminary assessments of norms and standards to be applied in programming resources.

[60] Convention on Biological Diversity, Article 26.

- To outline recommended processes to prepare, discuss, and implement enabling activities within a recipient country.[61]
- To delineate the requirements for provision of GEF support, its complementarity to existing and ongoing support, and its focus on the task of preparing particular plans or communications in relation to the Convention.

Short-Term Response Measures

Proposed activities that are not an integral part of an operational program but are still cost-effective, or that enable the GEF to respond to an urgent need, or seize a promising country-driven opportunity in a timely manner are also eligible for support. It would be unwise to reject such activities merely because they are not part of an agreed operational program if their costs are relatively low, the outcomes relatively certain, and their urgency or priority unchallenged.

The operational criteria to guide consideration of proposed activities under short-term response measures include:

- *Likelihood of success.* Projects should demonstrate that they are well-designed and feasible. Supporting assessments of technical quality and relevance, as well as conducive country policy and program frameworks will be required, and STAP advice will be sought. Impact indicators will be developed for the monitoring and evaluation of short-term measures.
- *Cost effectiveness.* Few useful quantifiable norms of cost-effectiveness exist for biodiversity activities; in their absence, information will be provided to assess the nature and significance of the costs involved in relation to the expected biodiversity benefits.
- *Degree of threat, vulnerability or urgency.* Some interventions may be considered extremely urgent on the basis of known imminent threats to a species or ecosystem (for example, tropical forests, coastal and marine biodiversity) or degree of vulnerability (for example arid, semi-arid, and mountainous regions).[62]
- *Opportunism.* A GEF intervention may be considered opportune in the face of a fortuitous combination of factors -- for example, emergence of a conducive national policy environment for international collaboration to address an urgent or emergent problem at the national or regional level.
- *Demonstration value.* Innovative approaches (for example, innovative use of economic incentives) to implementing biodiversity activities may need to be tested.[63]

Short-term response measures, like activities developed within the framework of operational programs, will be country-driven and consistent with national plans and strategies, may involve establishment of

[61] The GEF will encourage countries to disseminate findings widely within the country and to encourage discussion and debate among all major stakeholders. GEF consultation and participation guidelines (once approved by the Council) will provide a framework for such activities.

[62] "Criteria", paragraph 4(k).

[63] "Criteria", paragraph 4(i).

systems to provide for recurrent costs, and will be supported by measures to ensure the sustainability of biodiversity benefits.

Eligible activities under short-term response measures could include, for example, those with a focus on threatened or endangered species or ecosystems, actions to reduce immediate threats to migratory species, and programs to facilitate implementation of unforeseen opportunities for national action and international cooperation to reduce specific risks of biodiversity loss. Over time, some short-term response measures may also help the development of new operational programs.

Conclusion

The operational strategy for biodiversity sets forth an approach for implementing the GEF's mandate in biodiversity, in full conformity with the guidance provided by the COP of the CBD. It provides a framework for the development and implementation of GEF-financed activities to allow recipient countries to address the complex global challenge of biodiversity conservation and sustainable use. It also provides a framework for systematic monitoring and evaluation of the effectiveness of GEF-financed activities.

Operational Program

As of March 2003, there are 15 operational programs (OPs) through which the GEF provides grants. Eleven of these reflect GEF's original focal areas: four in the biodiversity focal area, four in climate change, and three more in international waters. (Projects to combat ozone depletion are not covered among the OPs.) OP 12, Integrated Ecosystem Management, encompasses cross-sectoral projects that address ecosystem management in a way that optimizes ecosystem goods and services in at least two focal areas within the context of sustainable development.

In October 2002, the GEF Assembly approved persistent organic pollutants and land degradation as new GEF focal areas. OP15 (Land Degradation) is now available, and OP14 (Persistent Organic Pollutants) is being drafted.

A wide spectrum of efforts to conserve and sustainably use earth's biological diversity makes up nearly half of all GEF projects. As the financial mechanism for the Convention on Biological Diversity (CBD), GEF receives guidance from the conference of parties (or COP) on policy, strategy, program priorities, and eligibility criteria related to the use of resources for purposes of the Convention. Projects generally deal with one or more of four critical ecosystem types and the human communities found there: 1) arid and semi-arid zones; 2) coastal, marine, and freshwater resources; 3) forests; and 4) mountains.

Between 1991 and 2004, GEF allocated $1.89 billion in grants and mobilized an additional $3.80 billion in co-financing (from recipient countries, bilateral agencies, other development institutions, the private sector, and nongovernmental organizations) for biological diversity projects.

OP Number 1: Arid and Semi-Arid Zone Ecosystems

1.1 Arid and semi-arid lands include the tropical grassland and savannah/woodland savannah, the warm desert and semi-desert, temperate grasslands, tundra communities, and cold deserts biomes.[64] These lands cover over one third of the earth's land surface and are home to over 900 million people. Many important food crops originate from drylands. Indigenous crops and fruits from drylands are known for their resistance to disease, stress, and adaptability and are valuable sources for plant breeding. Arid and semi-arid lands are notable for their within-species genetic diversity, rather than between-species variation or species richness. Yet they contain a significant endowment of plants and animal species, including micro-organisms. Arid land species exhibit notably a restrictive geographical distribution (endemism) and a wide range of morphological, physical, and chemical adaptation to their harsh environment. These ecosystems provide critical habitats for wildlife and ecosystem diversity, including wetlands for migratory species, but are under severe threat.

Guidance

1.2 This Operational Program responds to the three sets of guidance provided by the Conference of the Parties (CoP) of the Convention on Biological Diversity (CBD) to the GEF as the institutional structure operating the financial mechanism on an interim basis. The first set of guidance is from the first CoP[65] and includes policy, strategy, and eligibility criteria, as well as program priorities among which are the following related to arid and semi-arid zone ecosystems:

(a) Projects that promote the conservation and sustainable use of biological diversity ... in other environmentally vulnerable areas such as arid and semi-arid; and[66]

(b) Projects that promote the conservation and/or sustainable use of endemic species[67].

1.3 At its second meeting, the CoP approved the second set of guidance[68], concerning *inter alia* finance for measures for conservation and sustainable use and for in-situ conservation,[69] and preliminary consideration of components of biodiversity under threat.[70]

1.4 Although not specifically directed to the GEF, the second CoP also reaffirmed that "the ecosystem approach should be the primary framework of action to be taken under the Convention"[71] and

[64] Classification of Biogeographical Provinces of the World (Udvardy, 1975).

[65] Document UNEP/CBD/COP/I/17, Policy, Strategy, Programme Priorities and Eligibility Criteria for access to and utilization of financial resources of the Convention on Biological Diversity. Annex 1, pages: 33-34.

[66] Ibid. 4(k).

[67] Ibid. 4(l).

[68] A Call to Action: Decisions and ministerial statement from the Second Meeting of the Conference of the Parties to the Convention on Biological Diversity. Jakarta, Indonesia, 6-17 November, 1995.

[69] Ibid. Decision II/6 11, referring to decision II/7 on Articles 6 and 8 of the Convention.

[70] Ibid. Decision II/6 11, referring to decision II/8, para 2.

[71] Ibid. Decision II/8 , para1.

stressed the need "to identify the driving forces determining the status and trends of components of biological diversity."[72] The ecosystem approach is followed in the Operational Programs and identification of driving forces is stressed.

1.5 At its third meeting, the Conference of the Parties (COP) of the Convention on Biological Diversity (CBD) approved additional guidance for the GEF. The guidance is directly relevant to, and can be fulfilled through Enabling Activities, long-term Operational Programs, and/or Short-term Response Measures. In addition, the operational response to the guidance on agrobiodiversity will be consolidated in an operational policy note on the treatment of agrobiodiversity in the context of the four current Operational Programs in biological diversity. Pertinent references have been included in the Operational Criteria for Enabling activities and the operational policy work of the Secretariat.

1.6 The Conference of the Parties:[73]

(a) urged Implementing Agencies to enhance cooperation to increase efforts to improve processing and delivery systems;

(b) asked GEF to "...provide financial resources to developing countries for country-driven activities and programmes, consistent with national priorities and objectives..."[74] on the following topics: capacity building in biosafety, including implementation by developing countries of the UNEP International Technical Guidelines on Safety in Biotechnology; capacity building for initial assessment and monitoring programs, including taxonomy; supporting efforts for the conservation and sustainable use of biological diversity important to agriculture; and capacity building and country driven pilot projects on the Clearing-house Mechanism (CHM);

(c) reconfirmed the importance and requested support for incentive measures;

(d) urged capacity building efforts to implement measures and guidance on access to genetic resources;

(e) requested GEF to examine the support of capacity building for indigenous and local communities embodying traditional lifestyles;

(f) requested GEF to incorporate targeted research and promotion of awareness activities when relevant to project objectives and consistent with national priorities; and

(g) requested GEF to collaborate with the CBD Secretariat in preparing a proposal on the means to address the fair and equitable sharing of the benefits arising out of genetic resources including assistance to developing country Parties.

[72] Ibid. Decision II/8, para 3.
[73] UNEP/CBD/COP/3/38, annex II, Decision III/5.
[74] Idem, para 2.

1.7 The Conference of the Parties[75] requested GEF to make financial resources available to developing country Parties for urgent implementation of relevant aspects of Articles 6 and 8 concerning general measures for conservation and sustainable use and for in-situ conservation.

1.8 The present Operational Program responds to the above decisions.

Program objective

1.9 The objective of this Operational Program is the conservation and sustainable use of the biological resources in arid and semi-arid zone ecosystems.

(a) Conservation[76], or in-situ protection, will be sought through protection of systems of conservation areas, focusing primarily on countries in Africa and in the Mediterranean type climatic zone threatened by increased pressure from intensified use, drought, and desertification, which lead to land degradation; and

(b) Sustainable use[77] management will be sought by combining production, socio-economic, and biodiversity goals. The Operational Strategy calls for a range of uses from strict protection on reserves through various forms of multiple use with conservation easements to full scale use.

1.10 The key assumptions are as follows:

(a) Scope. Conservation and sustainable use will be achieved in specific ecosystems that are identified as priorities within National Biodiversity Strategies or other national plans such as UNCED reports, National Environment Action Plans, etc. It is assumed that protecting a number of dryland ecosystems that are national priorities will, overall, result in a sufficiently representative coverage of habitat types to fulfill the objective of the Operational Program; and

(b) Replication. Successful outcomes will be replicated elsewhere on the basis of the experience and learning gained.

Expected outcomes

1.11 A successful outcome is one where globally important biodiversity has been conserved or sustainably used in a specific arid or semi-arid ecosystem.

Monitoring outcomes

1.12 Outcomes would be monitored and evaluated by measuring key indicators of ecosystem structure and function, and of sustainable use. Examples of monitoring and evaluation methodologies and tools include:

[75] Idem, Decision III/9, paras 2, 3, and 4.

[76] GEF Operational Strategy, Chapter 2, pages 17-18.

[77] Idem, pages: 18-19.

(a) surveys of dryland vegetation cover and composition; measures of the plant vigor, age, diversity, species density, and age class; other measures of the population of native species, showing these to be high enough to be viable in-situ;

(b) surveys of fauna performance -- population change, wildlife calving, and weight gains etc.;

(c) indicators of ambient threats such as air and water pollution and induced or excessive divergence, soil erosion and its underlying causes, or landslides, showing these to be below critical thresholds;

(d) measures of the population of key alien, invasive species;

(e) ecological surveys within dryland conservation areas, showing the maintenance of species diversity and endemism and the presence and abundance of indicator or keystone species;

(f) appropriate indicators for monitoring of the process of rehabilitation efforts; and

(g) surveys of impacts on the livelihoods and participation of indigenous and local communities and surveys of impacts on biodiversity from these communities.

Assumptions and risks to achieving the outcomes

1.13 A key assumption is that Implementing Agencies, in their regular work programs, will assist countries to analyze the causes[78] of biodiversity loss at the ecosystem level, which could include demographic and economic factors, and to identify and implement national plans that address such root causes. Supplementing this baseline course of action, GEF can assist with additional actions to address driving forces or proximate causes of biodiversity loss and unsustainable use.

1.14 There are some risks to achieving successful outcomes at the ecosystem level through conservation and sustainable use activities and these risks will be addressed through emphasis on good project design. The following important risk-reducing steps will need to be confirmed in project proposal documents:

(a) Complementarity. The necessary complementary activities, such as expected policy changes and the availability of bilateral and other sources of finance, will take place;

(b) Size. Large protected areas which are less isolated from other natural areas are expected to be richer in terms of species and more stable in terms of retaining the species they contain. Any protected dryland area should be large enough, and the practice of sustainable use of resources in the surrounding productive landscape should be widespread enough, to ensure that the most

[78] World Resources Institute, 1992. Global Biodiversity Strategy, pages: 12-18.

threatened and endangered components of arid or semi-arid zone biodiversity will be protected; and

(c) Absorptive capacity. The absorptive capacity of agencies and NGOs to implement the GEF activity and all the other activities necessary for protecting the ecosystem and use available funds effectively.

Project outputs

1.15 Outputs of individual GEF activities in arid or semi-arid ecosystems would be monitorable. Examples include:

(a) Protected areas. Well established systems of conservation units with effective management plans;

(b) Threat removal. Removal of the causes of biodiversity loss and the specific threats to the ecosystem arising in the surrounding productive landscape, e.g., through reduced fragmentation;

(c) Sectoral integration. Incorporation of biodiversity protection into the main productive sectors of the economy and integrated community development addressing livelihood issues of local and indigenous communities living in the buffer zone and areas of influence of protected areas;

(d) Sustainable use. Sustainable livestock grazing, hunting, and tourism as well as sustainable use of commercial and industrial products of drylands, e.g. gums, resins, plant-based waxes, oils, and biocides; and (e) Institutional strengthening. Stronger institutions and well-trained staff to address these issues.

GEF Activities

1.16 GEF can support[79] investment, technical assistance, capacity building (institutional strengthening, human resource development, and information exchange, including participation in the Clearing-house Mechanism), policy, public education, and targeted research. Through these means, GEF will help to finance the conservation of biodiversity and sustainable use.

1.17 Typical conservation activities are:

(a) demarcating, gazetting, strengthening, expanding, and consolidating conservation areas;

(b) assessing the impact of natural disturbances and the compound effect of anthropogenic stress;

(c) control of alien, invasive species;

[79] 16 GEF Operational Strategy, Chapter 2, Biodiversity, pages: 17-21.

(d) capacity building for biosafety activities formulated on a case-by-case basis in the context of a specific project responding to country-driven national priorities;

(e) identifying components of biological diversity important for its conservation with regard to the indicative list of Annex I of the CBD;

(f) identifying processes and categories of activities which have or are likely to have significant adverse impacts on the conservation of biodiversity;

(g) piloting selected activities that are country-driven national priorities and which develop and/or test methods and tools, such as rapid biological/ecological/social assessment, geographic information systems, and data analysis systems of importance for the conservation of biodiversity;

(h) demonstrating and applying techniques to conserve biodiversity important to agriculture, such as wild relatives of domesticated plants and animals;

(i) supporting capacity building efforts that promote the preservation and maintenance of indigenous and local communities' knowledge, innovation, and practices relevant to conservation of biological diversity with their prior informed consent and participation;

(j) incorporating components for targeted research important for biological diversity conservation when relevant to project objectives and consistent with national priorities; and

(k) including sustainable use awareness components when relevant to project objectives and consistent with national priorities.

1.18 To maintain biodiversity and the diversity of biological resources, GEF sustainable use activities will be supported in arid and semi-arid ecosystems. Sustainable development activities that integrate biodiversity and biological resource concerns are central to and a necessary foundation for national sustainable development goals. Typical GEF sustainable development activities would be in areas surrounding critical habitats that require integration of biodiversity protection and sustainable development into sectoral plans. In addition, consistent with the incremental cost approach, GEF could pay for modification of activities so they incorporate and add protection to biodiversity or biological resources. Typical examples are of the first approach are:

(a) integrating biodiversity conservation and sustainable use objectives in land use and natural resource use management plans;

(b) piloting projects providing alternative livelihoods for local and indigenous communities residing in buffer zones of globally important biological areas;

(c) strengthening capacity building for biosafety activities which will be formulated on a case-by-case basis in the context of a specific project responding to country-driven national priorities;

(d) identifying components of biological diversity important for its sustainable use, with regard to the indicative list of Annex I of the CBD;

(e) identifying processes and categories of activities which have or are likely to have significant adverse impacts on the sustainable use of biodiversity;

(f) piloting selected activities that are country-driven national priorities and which develop and/or test methods and tools, such as rapid biological/ecological/social assessment, geographic information systems, and data analysis systems of importance for the sustainable use of biodiversity;

(g) demonstrating and applying techniques to sustainably manage biodiversity important to agriculture, such as wild relatives of domesticated plants and animals;

(h) supporting capacity building efforts that promote the preservation and maintenance of indigenous and local communities' knowledge, innovation, and practices relevant to the sustainable use of biological diversity, with their prior informed consent and participation;

(i) incorporating components for targeted research important for the sustainable use of biological resources when relevant to project objectives and consistent with national priorities; and

(j) including sustainable use awareness components when relevant to project objectives and consistent with national priorities.

1.19 Typical examples of activities that could be modified specifically to protect biodiversity:

(a) integrated rural development on a sustainable basis, e.g. range management may need to involve not only livestock, but also agriculture, infrastructure, marketing, wildlife, and tourism;

(b) soil conservation and restoration of degraded areas to conserve biodiversity;

(c) natural resources management activities which emphasize integrated resource use with conservation and development, such as use of water resources and its distribution in order to spread out grazing pressure and prevent vegetation deterioration;

(d) energy conservation projects that emphasize conservation of trees and alternative energy sources to conserve the natural vegetation; and

(e) establishment of long-term cost recovery mechanisms and financial incentives for sustainable use.

Project risks

1.20 Project proposals would also address the main risks to being able to reach the desired outputs by:

(a) Best practice. Using and adapting best practice for GEF activities, and best available knowledge to establish the necessary baseline and indicators to monitor impacts; and

(b) Local communities. Ensuring that programs are culturally sound, that they fit local customs and gain strength from community dynamics, and that the people recognize and receive benefits; ensuring local participation in natural resources management from the start; and ensuring that local communities respect the limits on biological resource extraction.

Inter-Agency Coordination

1.21 The activities would be coordinated with the past, ongoing, and prospective work of the Implementing Agencies and others. These will include experience gained, lessons learned, and dissemination of experience from the Pilot Phase activities, and the experience of multilateral, bilateral, and private institutions, the international and national NGO community, and international, regional, and national research centers and academic institutions.

Land Degradation

1.22 Increased incidences of drought, intensive pressure of people on the land, and improper land use practices are leading to a deterioration of these lands and their biodiversity. Land degradation in developing countries is usually marked by poverty and human suffering, making it difficult to conserve biodiversity without alleviating human suffering. Despite the basic resilience of these ecosystems, once key thresholds are passed, recovery becomes almost impossible.

1.23 Arid and semi arid lands have suffered some of the worst forms of degradation, due to their fragility and increased pressure from growing and partially sedentarized populations. Projects in the conservation of ecosystems and integrated land use will also naturally alleviate the problems of land degradation. However, there will be areas which have been degraded to the extent that they will need special measures within the projects to address the issues of rehabilitation and their future rational management. Components addressing these specific issues will be developed within both types of GEF activity: conservation and sustainable use.

Public involvement

1.24 It is one of ten basic operational principles for the GEF that its projects will provide for consultation with, and participation as appropriate of, the beneficiaries and affected groups of people. The GEF Council approved a paper on Public Involvement in GEF-financed Projects that defines the

procedures for information dissemination, consultation, and stakeholder participation, including the following:

(a) that there should be emphasis on local participation and local stakeholders; and

(b) that specific conditions in-country should be taken into consideration.

1.25 These principles respond to the guidance of the CoP[80] Strategic partnerships will be sought, where possible, between all relevant stakeholders (e.g., government, NGOs, academia, the private sector, local communities, and indigenous groups), each group collaborating based on comparative advantage. Projects to implement the Operational Program will clarify the conditions of cooperation and contain transparent mechanisms to ensure the active participation of relevant stakeholders in the planning, implementation, and monitoring of project activities. Partnerships will be appropriate to local conditions and build on local expertise.

Resources

1.26 GEF resources will be used to meet the incremental costs of activities in this Operational Program. The financial resources required over the period of the first three years are estimated to be approximately US $160 million. Arid and semi-arid lands occur in frontier areas and are vast. Communication tends to be difficult and raises the costs of project implementation in these areas. The first two years will see a build up of projects to a level of $135 million after which the last years of this planning period will see reduced activity to the $25 million level. The above projections take into account the uncertainty of droughts in this environment which might call for some short term measures to save certain critical biodiversity, especially in wetlands.

[80] Decision II/6, para 10, page 22 and Idem Decision III/5.

OP Number 2: Coastal, Marine and Freshwater Ecosystems

Guidance

2.1 This Operational Program responds to the three sets of guidance provided by the Conference of the Parties (CoP) of the Convention on Biological Diversity (CBD) to the GEF, as the institutional structure operating the financial mechanism on an interim basis. The guidance from the first meeting the CoP[81] provided inter alia program priorities, including:

(a) Projects that promote the conservation and sustainable use of biological diversity of coastal and marine resources under threat; and

(b) Projects which promote the conservation of biological diversity and sustainable use of its components in other environmentally vulnerable areas[82].

2.2 At its second meeting, the CoP approved additional guidance,[83] concerning inter alia finance for measures for conservation and sustainable use and for in-situ conservation,[84] and preliminary consideration of components of biodiversity under threat.[85] The CoP also forwarded to GEF recommendations on the conservation and sustainable use of marine and coastal biological diversity[86] 6 , encouraging inter alia "the use of integrated marine and coastal area management as the most suitable framework for addressing human impacts on marine and coastal biological diversity and for promoting conservation and sustainable use of this biodiversity."[87]

2.3 Although not specifically directed to the GEF, the CoP also reaffirmed that "the ecosystem approach should be the primary framework of action to be taken under the Convention"[88] and stressed the need "to identify the driving forces determining the status and trends of components of biological diversity."[89] The ecosystem approach is followed in the Operational Programs and identification of driving forces is stressed.

2.4 At its third meeting, the Conference of the Parties (CoP) of the Convention on Biological Diversity (CBD) approved additional guidance for the GEF. The guidance is directly relevant to, and can

[81] 1 Document UNEP/CBD/CoP/I/17, Policy, Strategy, Programme Priorities and Eligibility Criteria for access to and utilization of financial resources of the Convention on Biological Diversity. Annex 1, pages: 33-34.
[82] Ibid. 4(k).
[83] A call to Action: Decisions and ministerial statement from the Second Meeting of the Conference of the Parties to the Convention on Biological Diversity. Jakarta, Indonesia, 6-17 November, 1995.
[84] Ibid. Decision II/6 11, referring to decision II/7 on Articles 6 and 8 of the Convention.
[85] Ibid. Decision II/6 11, referring to decision II/8, para 2.
[86] Ibid. Decision II/10 11, referring to the whole of decision II/8 and its annexes.
[87] Ibid. Decision II/10, para 2.
[88] Ibid. Decision II/8, para 1.
[89] Ibid. Decision II/8, para 3.

be fulfilled through Enabling Activities, long-term Operational Programs, and/or Short-term Response Measures. In addition, the operational response to the guidance on agrobiodiversity will be consolidated in an operational policy note on the treatment of agrobiodiversity in the context of the four current Operational Programs in biological diversity. Pertinent references have been included in the Operational Criteria for Enabling Activities and the operational policy work of the Secretariat.

2.5 The Conference of the Parties:[90]

(a) urged Implementing Agencies to enhance cooperation to increase efforts to improve processing and delivery systems;

(b) asked GEF to "...provide financial resources to developing countries for country-driven activities and programmes, consistent with national priorities and objectives..."[91] on the following topics: capacity building in biosafety including for the implementation by developing countries of the UNEP International Technical Guidelines on Safety in Biotechnology; capacity building for initial assessment and monitoring programs, including taxonomy; supporting efforts for the conservation and sustainable use of biological diversity important to agriculture; and for capacity building and country driven pilot projects on the Clearing-house Mechanism (CHM);

(c) reconfirmed the importance and requested support for incentive measures;

(d) urged capacity building efforts to implement measures and guidance on access to genetic resources;

(e) requested GEF to examine the support of capacity building for indigenous and local communities embodying traditional lifestyles;

(f) requested GEF to incorporate targeted research and promotion of awareness activities when relevant to project objectives and consistent with national priorities; and

(g) requested GEF to collaborate with the CBD Secretariat in preparing a proposal on the means to address the fair and equitable sharing of the benefits arising out of genetic resources including assistance to developing country Parties.

2.6 The Conference of the Parties[92] requested GEF to make financial resources available to developing country Parties for urgent implementation of relevant aspects of Articles 6 and 8 which concern with general measures for conservation and sustainable use and for in-situ conservation.

2.7 The present Operational Program responds to the above decisions.

[90] UNEP/CBD/CoP/3/38, annex II, Decision III/5.
[91] Idem, para 2.
[92] Idem, Decision III/9, paras 2, 3, and 4.

Programme objective

2.8 The objective of this Operational Program is the conservation and sustainable use of the biological resources in coastal, marine, and freshwater ecosystems generally (including lakes, rivers and wetlands, and island ecosystems). The needs of tropical island ecosystems will receive special attention.

(a) Conservation[93] can be ensured by ecosystem functioning through the establishment and strengthening of systems of conservation areas. The scope will be tropical and temperate coastal, marine, and freshwater ecosystems areas at risk; and

(b) Sustainable use[94] can be ensured by systems which combine biodiversity conservation, production, and socio-economic goals. The scope, as set out in the Operational Strategy, includes strict protection on reserves, various forms of multiple use with conservation easements, and full scale use.

2.9 The key assumptions are as follows:

(a) Scope. Conservation and sustainable use will be achieved in a variety of specific ecosystems that are identified as priorities within national biodiversity strategic plans and programs; and

(b) Replication. These successful outcomes will be replicated elsewhere on the basis of the experience and learning gained.

2.10 As indicated in the Operational Strategy[95], this Operational Program will be implemented in conjunction with those in the International Waters focal area. For coastal and marine ecosystems, the approach will be implemented in large marine ecosystems based on biogeographic provinces and other relevant scales. For in-situ conservation of areas of global importance there is a large body of work in identifying particular coastal/marine and wetland areas that should be conserved to represent major habitat types and their species[96]. National priorities are often expressed in the National Biodiversity Strategies and Action Plans, and in national plans such as UNCED reports, Tropical Forestry Action Plans, National Environment Action Plans, etc.

Expected outcomes

[93] GEF Operational Strategy, Chapter 2, pages 17-18.

[94] Idem, pages: 18-19.

[95] Chapter 2, Biodiversity, page 16.

[96] Examples of key source materials identifying specific sites at the global level: "A Global Representative System of Marine Protected Areas" prepared jointly by the Great Barrier Reef Authority, the World Bank, and IUCN; Global Marine Biological Diversity (Norse, 1993); the International Coral Reef Initiative (ICRI); international (e.g., Ramsar and World Heritage) and regional (e.g. Barcelona) conventions which identify global and regional priority sites for conservation of biodiversity and biological resources in coastal, marine, and freshwater systems; Protocols like the Specially Protected Areas and Wildlife (PAW) ; and UNEP's Regional Seas Programme.

2.11 A successful outcome is one where globally important biodiversity has been conserved and sustainably used in a specific coastal, marine, or freshwater ecosystem.

Monitoring outcomes

2.12 Outcomes would be monitored and evaluated by measuring key indicators of ecosystem structure and function, and of sustainable use. Examples of monitoring and evaluation methodologies and tools include:

(a) measures of the population of native species, showing these to be high enough to be viable in-situ;

(b) measures of the population of key alien, invasive species;

(c) ecological surveys within protected areas, showing the presence and abundance of indicator or keystone species;

(d) measures of the quality of the processes (e.g. water quality, nutrient cycling, etc.) that maintain the integrity of the ecosystems; and

(e) surveys of impacts on the livelihoods and participation of indigenous and local communities and surveys of impacts on biodiversity from these communities.

Assumptions and risks to achieving the outcomes

2.13 A key assumption is that Implementing Agencies, in their regular work programs, will assist countries to analyze the causes[97] of biodiversity loss at the ecosystem level, which could include demographic and economic factors, and to identify and implement national plans that address such root causes. Supplementing this baseline course of action, GEF can assist with additional actions to address driving forces or proximate causes of biodiversity loss and unsustainable use.

2.14 There are some risks to achieving successful outcomes at the ecosystem level through conservation and sustainable use activities and these risks will be addressed through emphasis on good project design. Important risk-reducing steps will need to be confirmed in project proposal documents:

(a) Complementarity. The necessary complementary activities, such as expected policy changes and the availability of bilateral and other sources of finance, will take place;

(b) Size. The protected area is large enough, and the practice of sustainable use of resources in the surrounding productive landscape/seascape is widespread enough, to ensure that the most threatened and endangered components of biodiversity will be protected; and

[97] World Resources Institute, 1992. Global Biodiversity Strategy, pages: 12-18

(c) Absorptive capacity. The absorptive capacity of agencies and NGOs to implement the GEF activity and all the other activities necessary for protecting the ecosystem and use available funds effectively.

Project outputs

2.15 Outputs of GEF projects and related activities affecting coastal, marine, and freshwater ecosystems would be monitorable. Examples include:

(a) Threat removal. Removal of the causes of biodiversity loss and the specific threats to the ecosystem arising in the surrounding productive landscape, e.g., through reduced discharges of domestic, industrial, and agricultural pollution;

(b) Sectoral integration. Well established and well-managed systems of coastal/marine, and freshwater conservation units with effective management plans; integrated land-use and sea-use which includes conservation units as part of the regional landscape/seascape; and integrated community development addressing livelihood issues of local and indigenous communities living in the buffer zone and areas of influence of conservation units;

(c) Sustainable use. Sustainable coastal, marine and freshwater management techniques in place; and

(d) Institutional strengthening. Stronger institutions and well-trained staff to address these issues.

GEF Activities

2.16 The GEF can support[98] investment, technical assistance, capacity building (institutional strengthening, human resource development, and information exchange, including participation in the Clearing-house Mechanism), policy, public education, and targeted research. Through these means, GEF will help to finance the conservation of biodiversity and sustainable use.

2.17 Typical conservation activities are:

(a) demarcating, gazetting, strengthening, expanding and consolidating systems of conservation areas, particularly in critical habitats or representative systems of coastal, marine and freshwater conservation areas;

(b) assessing the impact of natural disturbances and the compound effect of anthropogenic stress;

(c) remedial actions in areas under threat;

[98] GEF Operational Strategy, Chapter 2, Biodiversity, pages: 17-21.

(d) control of alien, invasive species;

(e) capacity building for biosafety activities formulated on a case-by-case basis in the context of a specific project responding to country-driven national priorities;

(f) identifying components of biological diversity important for its conservation with regard to the indicative list of Annex I of the CBD;

(g) identifying processes and categories of activities which have or are likely to have significant adverse impacts on the conservation and sustainable use of biodiversity;

(h) piloting selected activities that are country-driven national priorities and which develop and/or test methods and tools, such as rapid biological/ecological/social assessment, geographic information systems, and data analysis systems of importance for the conservation of biodiversity;

(i) demonstrating and applying techniques to conserve biodiversity importance to agriculture, such as wild relatives of domesticated plants and animals;

(j) supporting capacity building efforts that promote the preservation and maintenance of indigenous and local communities' knowledge, innovation, and practices relevant to conservation of biological diversity, with their prior informed consent and participation;

(k) incorporating components for targeted research important for biological diversity conservation when relevant to project objectives and consistent with national priorities; and

(l) including sustainable use awareness components when relevant to project objectives and consistent with national priorities.

2.18 To maintain biodiversity and the diversity of biological resources, GEF sustainable use activities will be supported in coastal, marine, and freshwater ecosystems. Sustainable development activities that integrate biodiversity and biological resource concerns are central to and a necessary foundation for national sustainable development goals. Typical GEF sustainable development activities would be in areas surrounding critical habitats that require integration of biodiversity protection and sustainable development in sectoral plans. In addition, consistent with the incremental cost approach, GEF could pay for activities that could be modified specifically to protect biodiversity. Typical examples are:

(a) assessing the impact of natural disturbances and the compound effect of anthropogenic stress;

(b) remedial actions in areas under threat;

(c) control of alien, invasive species;

(d) capacity building for biosafety activities formulated on a case-by-case basis in the context of a specific project responding to country-driven national priorities;

(e) identifying components of biological diversity important for its sustainable use with regard to the indicative list of Annex I of the CBD;

(f) identifying processes and categories of activities which have or are likely to have significant adverse impacts on the sustainable use of biodiversity;

(g) piloting selected activities that are country-driven national priorities and which develop and/or test methods and tools, such as rapid biological/ecological/social assessment, geographic information systems, and data analysis systems of importance for the sustainable use of biodiversity;

(h) supporting capacity building efforts that promote the preservation and maintenance of indigenous and local communities' knowledge, innovation, and practices relevant to sustainable use of biological diversity, with their prior informed consent and participation;

(i) incorporating components for targeted research important for the sustainable use of biological diversity when relevant to project objectives and consistent with national priorities; and

(j) including sustainable use awareness components when relevant to project objectives and consistent with national priorities.

Typical examples of activities that could be modified specifically to sustainably manage biodiversity:

(a) integrating biodiversity conservation and sustainable use objectives in water and land use, and natural resource use management plans;

(b) integrated pilot projects providing alternative livelihoods to local and indigenous communities residing in buffer zones of globally important biological areas;

(c) tenure reform and land titling in the buffer zones -- in the coastal zone, marine environment, and freshwater systems around globally important protected areas;

(d) reduction in habitat fragmentation, encroachment, and pollution; and

(e) establishment of long-term cost recovery mechanisms and financial incentives for sustainable use.

Project risks

2.19 Project proposals would also address the main risks to being able to reach the desired outputs by:

(a) Best practice. Using and adapting best practice for GEF activities, and best available knowledge to establish the necessary baseline and indicators to monitor impacts; and

(b) Local communities. Ensuring that local communities accept and respect the boundaries of conservation units and the limits imposed on biological resource extraction; scaling up and expanding successful community development activities; encouraging the active participation of local communities, NGOs, and other key stakeholders; and incorporating the knowledge of local and indigenous communities.

Inter-Agency coordination

2.20 The activities would be coordinated with the past, ongoing, and prospective work of the Implementing Agencies and others. These will include experience gained, lessons learned, and dissemination of experience from the Pilot Phase activities, and the experience of multilateral, bilateral and private institutions, the international and national NGO community, and international, regional, and national research centers and academic institutions.

Land degradation

2.21 Coastal, marine, and freshwater ecosystems suffer the impact, directly or indirectly, of land degradation. The GEF will support activities that demonstrate how to control land degradation effects on these ecosystems. Special pilot efforts will assist Island States to conserve and rehabilitate/restore (if needed) key ecosystems for threatened/endangered plant and animal species.

Public involvement

2.22 It is one of ten basic operational principles for the GEF that its projects will provide for consultation with, and participation as appropriate of, the beneficiaries and affected groups of people. The GEF Council approved a paper on Public Involvement in GEF-financed Projects that defines the procedures for information dissemination, consultation, and stakeholder participation, including the following:

(a) that there should be emphasis on local participation and local stakeholders; and

(b) that specific conditions in-country should be taken into consideration.

2.23 These principles respond to the guidance of the CoP.[99] Strategic partnerships will be sought, where possible, among all relevant stakeholders (e.g., government, NGOs, academia, the private sector,

[99] Decision II/6, para 10, page 22 and Idem, Decision III/5.

local communities and indigenous groups), each group collaborating based on comparative advantage. Projects to implement the Operational Program will clarify the conditions of cooperation and contain transparent mechanisms to ensure the active participation of relevant stakeholders in the planning, implementation, and monitoring of project activities. Partnerships will be appropriate to local conditions and build on local expertise.

Resources

2.24 GEF resources will be used to meet the incremental costs of activities in this Operational Program. It is estimated that this program will require financial resources of approximately $160-190 million over three years, with the rate of disbursement rising as experience is gained.

OP Number 3: Forest Ecosystems

Guidance

3.1 This Operational Program responds to the three sets of guidance provided by the Conference of the Parties (CoP) of the Convention on Biological Diversity (CBD) to the GEF as the institutional structure operating the financial mechanism on an interim basis. The first set of guidance is from the first CoP[100] and includes policy, strategy, and eligibility criteria, as well as program priorities among which are the following related to forested areas:

(a) Projects that promote the conservation and sustainable use of biological diversity...in other environmentally vulnerable areas...[101] ; and

(b) Projects that promote the conservation and/or sustainable use of endemic species.[102]

3.2 At its second meeting, the CoP approved the second set of guidance,[103] concerning inter alia finance for measures for conservation and sustainable use and for in-situ conservation,[104] and preliminary consideration of components of biodiversity under threat.[105]

3.3 The second CoP also considered a number of general issues related to forests and biological diversity[106] and highlighted, among other matters, that forests play a crucial role in maintaining global biodiversity;[107] that tropical, temperate, and boreal forests provide the most diverse sets of habitats for plants, animals, and micro-organisms, holding the vast majority of the world's terrestrial species;[108] that the maintenance of forest ecosystems is crucial for the conservation of biological diversity well beyond their boundaries ... providing ecological services and, at the same time, livelihoods or jobs for hundreds of millions of people worldwide;[109] that forests are becoming degraded and their biological diversity is being lost;[110] and that forests and forest biological diversity play important economic, social, and cultural roles.[111]

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[100] Document UNEP/CBD/COP/I/17, Policy, Strategy, Programme Priorities and Eligibility Criteria for access to and utilization of financial resources of the Convention on Biological Diversity. Annex 1, pages: 33-34.
[101] Ibid. 4(k).
[102] Ibid. 4(l).
[103] A call to Action: Decisions and ministerial statement from the Second Meeting of the Conference of the Parties to the Convention on Biological Diversity. Jakarta, Indonesia, 6-17 November, 1995.
[104] Ibid. Decision II/6 11, referring to decision II/7 on Articles 6 and 8 of the Convention.
[105] Ibid. Decision II/6 11, referring to decision II/8, para 2.
[106] Ibid. Decision II/9 and its annex.
[107] Ibid. Decision II/9, Annex, para. 3, page 26.
[108] Ibid. Annex, para 4, page 26.
[109] Ibid. Annex, para 5, page 26.
[110] Ibid. Annex, para 7, page 27.
[111] Ibid. Annex, para 8, page 27.

3.4 Although not specifically directed to the GEF, the second CoP also reaffirmed that "the ecosystem approach should be the primary framework of action to be taken under the Convention"[112] and stressed the need "to identify the driving forces determining the status and trends of components of biological diversity."[113] The ecosystem approach is followed in the Operational Programs and identification of driving forces is stressed in biological diversity.

3.5 At its third meeting, the Conference of the Parties (COP) of the Convention on Biological Diversity (CBD) approved additional guidance for the GEF in its capacity as the institutional structure managing its financial mechanism on an interim basis. The guidance is directly relevant to, and can be fulfilled through Enabling Activities, long-term Operational Programs, and/or Short-term Response Measures. In addition, the operational response to the guidance on agrobiodiversity will be consolidated in an operational policy note on the treatment of agrobiodiversity in the context of the four current Operational Programs in biological diversity.

3.6 The Conference of the Parties:[114]

(a) urged Implementing Agencies to enhance cooperation to increase efforts to improve processing and delivery systems;

(b) asked GEF to "...provide financial resources to developing countries for country-driven activities and programmes, consistent with national priorities and objectives..."[115] on the following topics: capacity building in biosafety, including for the implementation by developing countries of the UNEP International Technical Guidelines on Safety in Biotechnology; capacity building for initial assessment and monitoring programs, including taxonomy; supporting efforts for the conservation and sustainable use of biological diversity important to agriculture; and for capacity building and country driven pilot projects on the Clearing-house Mechanism (CHM);

(c) reconfirmed the importance and requested support for incentive measures;

(d) urged capacity building efforts to implement measures and guidance on access to genetic resources;

(e) requested GEF to examine the support of capacity building for indigenous and local communities embodying traditional lifestyles;

(f) requested GEF to incorporate targeted research and promotion of awareness activities when relevant to project objectives and consistent with national priorities; and

[112] Ibid. Decision II/8, para 1.
[113] Ibid. Decision II/8, para 3.
[114] UNEP/CBD/COP/3/38, annex II, Decision III/5.
[115] Idem, para 2.

(g) requested GEF to collaborate with the CBD Secretariat in preparing a proposal on the means to address the fair and equitable sharing of the benefits arising out of genetic resources, including assistance to developing country Parties.

3.7 The Conference of the Parties[116] requested GEF to make financial resources available to developing country Parties for urgent implementation of relevant aspects of Articles 6 and 8, which concern general measures for conservation and sustainable use and for in-situ conservation.

3.8 The present Operational Program responds to the above decisions.

Program objective

3.9 The objective of this Operational Program is the conservation and sustainable use of the biological resources in forest ecosystems.

(a) Conservation[117] or in-situ protection, will be sought through protection of primary/old growth and ecologically mature secondary forest ecosystems, by establishing and strengthening systems of conservation areas, focusing primarily on tropical and temperate ecosystems in areas at risk; and

(b) Sustainable use[118] forest management will be sought by combining production, socio-economic, and biodiversity goals. The Operational Strategy calls for a range of uses from strict protection on reserves through various forms of multiple use with conservation easements to full scale use.

3.10 The key assumptions are as follows:

(a) Scope. Conservation and sustainable use will be achieved in a variety of specific ecosystems that are identified as priorities within National Biodiversity Strategies or other national plans such as UNCED reports, Tropical Forestry Action Plans, National Environmental Action Plans, etc. Those identified as priorities are likely to be areas of high endemism; of high ecosystem, species, and genome diversity; of high distinctiveness; important for migratory species; important as spawning and nursery grounds; under threat; of high social, economic, cultural, or scientific value; of high productivity; or of a structure and composition shaped largely by natural events and only to a limited extent by human disturbance. For in-situ conservation of areas of importance there is also a large body of work identifying forested areas that should be conserved to represent major habitat types and their species[119]; and

[116] Idem, Decision III/9, paras 2, 3, and 4.

[117] GEF Operational Strategy, Chapter 2, pages 17-18.

[118] Idem, pages: 18-19.

[119] Examples of key publications for identifying specific sites at the regional level are: in the Latin America and Caribbean region, the BSP regional analysis and the WWF/World Bank eco-regions work; in Africa, the World Bank's ecological sensitive areas and IUCN's Conservation Atlas of Tropical Forests; and in Asia, IUCN's review

(b) Replication. Successful outcomes will be replicated elsewhere on the basis of the experience and learning gained.

Expected outcomes

3.11 A successful outcome is one where globally important biodiversity has been conserved or sustainably used in a specific forest ecosystem.

Monitoring outcomes

3.12 Outcomes would be monitored and evaluated by measuring key indicators of ecosystem structure and function, and of sustainable use. Examples of monitoring and evaluation methodologies and tools include:

(a) surveys of forest cover, including measures of the age and species on managed stands; other measures of the population of native species, showing these to be high enough to be viable in-situ; and

(b) measures of the population of key alien, invasive species;

(c) surveys of organisms or surveys of their parts extracted (e.g., leaves, roots, nuts, seeds, gums, resins, skins, internal organs, etc.,

(d) ecological surveys within protected forest areas, showing the presence and abundance of indicator or keystone species; and

(e) measures of the quality of the processes (e.g. water quality, nutrient cycling, etc.) that maintain the integrity of the ecosystems.

Assumptions and risks to achieving the outcomes

3.13 A key assumption is that Implementing Agencies, in their regular work programs, will assist countries to analyze the causes[120] of biodiversity loss at the ecosystem level, which could include demographic and economic factors, and to identify and implement national plans that address such root causes. Supplementing this baseline course of action, GEF can assist with additional actions to address driving forces or proximate causes of biodiversity loss and unsustainable use.

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of protected areas systems in the Indo-Malayan region and the Conservation Atlas of Tropical Forests. International (e.g., Ramsar and World Heritage) and regional (e.g., Western Hemisphere, Barcelona, etc.) conventions include the identification of global and regional priority sites for conservation of biodiversity and biological resources.

[120] World Resources Institute, 1992. Global Biodiversity Strategy, pages: 12-18.

3.14 There are some risks to achieving successful outcomes at the ecosystem level through conservation and sustainable use activities and these risks will be addressed through emphasis on good project design. The following important risk-reducing steps will need to be confirmed in project proposal documents:

(a) omplementarity. The necessary complementary activities, such as expected policy changes and the availability of bilateral and other sources of finance, will take place;

(b) Size and corridors. The protected forest area and the necessary connecting corridors are large enough, and the practice of sustainable use of resources in the surrounding productive landscape is widespread enough, to ensure that the most threatened and endangered components of forest biodiversity will be protected; and

(c) Absorptive capacity. The absorptive capacity of agencies and NGOs to implement the GEF activity and all the other activities necessary for protecting the ecosystem and use available funds effectively.

Project outputs

3.15 Outputs of GEF projects and related forest ecosystems activities would be monitorable. Examples include:

(a) Protected areas. Well established systems of forest conservation units with effective management plans;

(b) Threat removal. Removal of the causes of biodiversity loss and the specific threats to the ecosystem arising in the surrounding productive landscape, e.g., through reduced encroachment;

(c) Sectoral integration. Incorporation of biodiversity protection into the main productive sectors of the economy; and integrated community development addressing livelihood issues of local and indigenous communities living in the buffer zone and areas of influence of protected areas;

(d) Sustainable use. Sustainable logging and other forest industries; and

(e) Institutional strengthening. Stronger institutions and well-trained staff to address these issues.

GEF Activities

3.16 GEF can support[121] investment, technical assistance, capacity building (institutional strengthening, human resource development, and information exchange, including participation in the Clearing-house Mechanism), policy, public education, and targeted research. Through these means, GEF will help to finance the conservation of biodiversity and sustainable use.[122]

3.17 Typical conservation activities are:

(a) demarcating, gazetting, strengthening, expanding, and consolidating protected forest areas, and maintaining forest corridors within the main productive landscapes, particularly in areas that are critical habitats or of importance for migratory species;

(b) assessing the impact of natural disturbances and the compound effects of anthropogenic stress;

(c) remedial actions in forest under threat;

(d) control of alien, invasive species;

(e) capacity building for biosafety activities formulated on a case-by-case basis in the context of a specific project responding to country-driven national priorities;

(f) identifying components of biological diversity important for its conservation with regard to the indicative list of Annex I of the CBD;

(g) identifying processes and categories of activities which have or are likely to have significant adverse impacts on the conservation of biodiversity;

(h) piloting selected activities that are country-driven national priorities and which develop and/or test methods and tools, such as rapid biological/ecological/social assessment, geographic information systems, and data analysis systems of importance for the conservation of biodiversity;

(i) demonstrating and applying techniques to conserve biodiversity important to agriculture, such as wild relatives of domesticated plants and animals;

(j) supporting capacity building efforts that promote the preservation and maintenance of indigenous and local communities' knowledge, innovation, and practices relevant to conservation of biological diversity, with their prior informed consent and participation;

(k) incorporating components for targeted research important for biological diversity conservation, when relevant to project objectives and consistent with national priorities; and

[121] GEF Operational Strategy, Chapter 2, Biodiversity, pages: 17-21.

[122] GEF Operational Strategy, Chapter 2, Biodiversity, pages 16-17 under forest ecosystems.

(l) including sustainable use awareness components when relevant to project objectives and consistent with national priorities.

3.18 To maintain biodiversity and the diversity of biological resources, GEF sustainable use activities will be supported in forest ecosystems. Sustainable development activities that integrate biodiversity and biological resource concerns are central to and a necessary foundation for national sustainable development goals. Typical GEF sustainable development activities would be in areas surrounding critical habitats that require integration of biodiversity protection and sustainable development in sectoral plans. In addition, consistent with the incremental cost approach, GEF could pay for activities that could be modified specifically to protect biodiversity. Typical examples are:

(a) integration of biodiversity conservation and sustainable use objectives in land use and natural resource use management plans;

(b) integrated pilot projects providing alternative livelihoods to local and indigenous communities residing in buffer zones of globally important biological areas;

(c) integrated conservation and development projects around protected forests;

(d) participatory management of natural resources, and alternative livelihoods;

(e) tenure reform and land titling in the buffer zones around important protected forests;

(f) sustainable production and use of natural products (e.g., sustainable forest management practices;

(g) improvement in rural and community wood-lots specifically to remove pressure on fuelwood obtained from protected forests; adjusting sustainable logging regimes to protect natural habitats of global significance; intensification of agricultural productivity in surrounding areas to minimize encroachment on marginal forested areas of high biodiversity value;

(h) establishment of long-term cost recovery mechanisms and financial incentives for sustainable use;

(i) capacity building for biosafety activities formulated on a case-by-case basis in the context of a specific project responding to country-driven national priorities;

(j) identifying components of biological diversity important for its sustainable use with regard to the indicative list of Annex I of the CBD;

(k) identifying processes and categories of activities which have or are likely to have significant adverse impacts on the sustainable use of biodiversity;

(l) piloting selected activities that are country-driven national priorities and which develop and/or test methods and tools, such as rapid biological/ecological/social assessment, geographic information systems, and data analysis systems of importance for the sustainable use of biodiversity;

(m) demonstrating and applying techniques to sustainably manage biodiversity important to agriculture, such as wild relatives of domesticated plants and animals;

(n) supporting capacity building efforts that promote the preservation and maintenance of indigenous and local communities' knowledge, innovation, and practices relevant to conservation of biological diversity, with their prior informed consent and participation;

(o) incorporating components for targeted research important for biological diversity conservation when relevant to project objectives and consistent with national priorities; and

(p) including sustainable use awareness components when relevant to project objectives and consistent with national priorities.

Project risks

3.19 Project proposals would also address the main risks to being able to reach the desired outputs by:

(a) Best practice. Using and adapting best practice for GEF activities, and best available knowledge to establish the necessary baseline and indicators to monitor impacts; and

(b) Local communities. Ensuring that local communities accept and respect the boundaries of protected forests and the limits imposed on biological resource extraction; scaling up and expanding successful community development activities; encouraging the active participation of local communities, NGOs, and other key stakeholders; and incorporating the knowledge of local and indigenous communities.

Inter-Agency Coordination

3.20 The activities would be coordinated with the past, ongoing, and prospective work of the Implementing Agencies and others. These will include experience gained, lessons learned, and dissemination of experience from the Pilot Phase activities, and the experience of multilateral, bilateral, and private institutions, the international and national NGO community, and international, regional, and national research centers and academic institutions.

Land Degradation

3.21 Global and nationally significant forested lands have and are suffering substantive land degradation in the form of deforestation and desertification. The GEF will fund pilot activities that prevent deforestation and promote sustainable use and sustainable management of forests and forested areas at risk in order to conserve their biodiversity.[123] Pilot rehabilitation and restoration activities will be supported on tropical and temperate forest ecosystems in areas at risk (e.g. with threatened and/or endangered species and ecosystems).[124]

Public involvement

3.22 It is one of ten basic operational principles for the GEF that its projects will provide for consultation with, and participation as appropriate of, the beneficiaries and affected groups of people. The GEF Council approved a paper on Public Involvement in GEF-financed Projects that defines the procedures for information dissemination, consultation, and stakeholder participation, including the following:

(a) that there should be emphasis on local participation and local stakeholders; and

(b) that specific conditions in-country should be taken into consideration.

3.23 These principles respond to the guidance of the CoP[125] Strategic partnerships will be sought, where possible, among all relevant stakeholders (e.g., government, NGOs, academia, the private sector, local communities, and indigenous groups), each group collaborating based on comparative advantage. Projects to implement the Operational Program will clarify the conditions of cooperation and transparent mechanisms to ensure the active participation of relevant stakeholders in the planning, implementation and monitoring of project activities. Partnerships will be appropriate to local conditions and build on local expertise.

Resources

3.24 GEF resources will be used to meet the incremental costs of activities in this Operational Program. The financial resources required over the period of the first three years are estimated to be between US $ 160 and 185 million. This includes resources for unforeseen short-term-responses that offer quick and cost-effective measures.

[123] GEF Operational Strategy, Chapter 2, Biodiversity, page 11.
[124] Idem, page: 16 under Forest Ecosystems.
[125] Decision II/6, para 10, page 22 and Idem, Decision III/5.

OP Number 4: Mountain Ecosystems

4.1 Mountain ecosystem are among the world's most vulnerable biogeographical domain. From the Andes to the Himalayas, mountain ecosystems are very distinct from lowlands, being particularly fragile and highly susceptible to erosion, landslides, avalanches, lava flows, earthquakes, torrents, and rock falls; having variable climates with slow recovery of flora, fauna or soil; encompassing heterogeneous habitats resulting from altitudinal, climatic variations; often remaining the last bastion of wild nature and vertical ecological islands in a sea of transmuted lowlands with high human density; and being generally remote with rapid loss of indigenous culture, traditions, knowledge, and livelihoods. Yet, they are of unique global significance as biodiversity "hot spots," water reservoirs (for as much as 80 per cent of humanity's fresh water needs), and outstanding natural heritage sites, where biodiversity is linked to cultural patrimony of the mountain people. The main threats arise from deforestation, illegal logging, poaching of wild plants and animals, and destruction of habitat by fire regimes; unsustainable grazing and agricultural encroachments; impacts of poorly conceived infrastructure projects, tourism, quarrying and mining; and fuel-wood gathering.

Guidance

4.2 This Operational Program responds to the three sets of guidance provided by the Conference of the Parties (CoP) of the Convention on Biological Diversity (CBD) to the GEF as the institutional structure operating the financial mechanism on an interim basis. The first set of guidance is from the first CoP[126] and includes policy, strategy, and eligibility criteria, as well as program priorities among which are the following related to mountain areas:

(a) Projects that promote the conservation and sustainable use of biological diversity ... in other environmentally vulnerable areas such as ... mountainous areas[127] ; and

(b) Projects that promote the conservation and/or sustainable use of endemic species.[128]

4.3 At its second meeting, the CoP approved the second set of guidance,[129] concerning inter alia finance for measures for conservation and sustainable use and for in-situ conservation,[130] and preliminary consideration of components of biodiversity under threat.[131]

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[126] Document UNEP/CBD/COP/I/17, Policy, Strategy, Programme Priorities and Eligibility Criteria for access to and utilization of financial resources of the Convention on Biological Diversity. Annex 1, pages: 33-34.
[127] Ibid. 4(k).
[128] Ibid. 4(l).
[129] A Call to Action: Decisions and ministerial statement from the Second Meeting of the Conference of the Parties to the Convention on Biological Diversity. Jakarta, Indonesia, 6-17 November, 1995.
[130] Ibid. Decision II/6 11, referring to decision II/7 on Articles 6 and 8 of the Convention.
[131] Ibid. Decision II/6 11, referring to decision II/8, para 2.

4.4 Although not specifically directed to the GEF, the second CoP also reaffirmed that "the ecosystem approach should be the primary framework of action to be taken under the Convention"[132] and stressed the need "to identify the driving forces determining the status and trends of components of biological diversity."[133] The ecosystem approach is followed in the Operational Programs and identification of driving forces is stressed.

4.5 At its third meeting, the Conference of the Parties (COP) of the Convention on Biological Diversity (CBD) approved additional guidance for the GEF in its capacity as the institutional structure managing its financial mechanism on an interim basis. The guidance is directly relevant to, and can be fulfilled through Enabling Activities, long-term Operational Programs, and/or Short-term Response Measures. In addition, the operational response to the guidance on agrobiodiversity will be consolidated in an operational policy note on the treatment of agrobiodiversity in the context of the four current Operational Programs in biological diversity.

4.6 The Conference of the Parties:[134]

(a) urged Implementing Agencies to enhance cooperation to increase efforts to improve processing and delivery systems;

(b) asked GEF to "...provide financial resources to developing countries for country-driven activities and programmes, consistent with national priorities and objectives..."[135] on the following topics: capacity building in biosafety, including for the implementation by developing countries of the UNEP International Technical Guidelines on Safety in Biotechnology; capacity building for initial assessment and monitoring programs, including taxonomy; supporting efforts for the conservation and sustainable use of biological diversity important to agriculture; and for capacity building and country driven pilot projects on the Clearing-house Mechanism (CHM);

(c) reconfirmed the importance and requested support for incentive measures;

(d) urged capacity building efforts to implement measures and guidance on access to genetic resources;

(e) requested GEF to examine the support of capacity building for indigenous and local communities embodying traditional lifestyles;

(f) requested GEF to incorporate targeted research and promotion of awareness activities when relevant to project objectives and consistent with national priorities; and

[132] Ibid. Decision II/8 para 1.
[133] Ibid. Decision II/8, para 3.
[134] UNEP/CBD/COP/3/38, annex II, Decision III/5.
[135] Idem, para 2.

(g) requested GEF to collaborate with the CBD Secretariat in preparing a proposal on the means to address the fair and equitable sharing of the benefits arising out of genetic resources including assistance to developing country Parties.

4.7 The Conference of the Parties[136] requested GEF to make financial resources available to developing country Parties for urgent implementation of relevant aspects of Articles 6 and 8 which concern general measures for conservation and sustainable use and for in-situ conservation.

4.8 The present Operational Program responds to the above decisions.

Program objective

4.9 The objective of this Operational Program is the conservation and sustainable use of the biological resources in mountain ecosystems.

(a) Conservation[137], or in-situ protection of biodiversity, will be sought through protection of systems of conservation areas, focusing on the Mesoamerican, Andean, East African, Himalayan regions (including Hindu-Kush - Karakoram - Pamir - Tien Shan range) and montane regions of the Indochina peninsula as well as mountain chains on tropical islands; and

(b) Sustainable use[138] management will be sought by wise use of mountain ecosystems combining productive, socio-economic, and conservation goals. The Operational Strategy calls for a range of uses from strict protection on reserves through various forms of multiple use with conservation easements to full scale use.

4.10 The key assumptions are as follows:

(a) Scope. Conservation and sustainable use will be achieved in specific mountain ecosystems that are identified as priorities within National Biodiversity Strategies or other national plans such as UNCED reports, National Environmental Action Plans, etc. It is assumed that protecting a number of mountain ecosystems that are national priorities will, overall, result in a sufficiently representative coverage of habitat types to fulfill the objective of the Operational Program; and

(b) Replication. Successful outcomes will be replicated elsewhere on the basis of the experience and learning gained. While several issues and problems causing the loss of species, ecosystems, and genetic diversity are site specific, many characteristics are common to the mountain ecosystem whether in the Andes in South America, the Caucasus in Europe, the Ruwenzori in Africa, or the Himalayas in Asia. Many mitigative measures can be replicated,

[136] Idem, Decision III/9, paras 2, 3, and 4.
[137] GEF Operational Strategy, Chapter 2, pages 17-18.
[138] Idem, pages: 18-19.

particularly those that seeks to balance human needs with biodiversity conservation and sound watershed management.

Expected outcomes

4.11 A successful outcome is one where globally important biodiversity has been conserved or sustainably used in a specific mountain ecosystem.

Monitoring outcomes

4.12 Outcomes would be monitored and evaluated by measuring key indicators of mountain ecosystem structure and function, and of sustainable use. Examples of monitoring and evaluation methodologies and tools include:

(a) surveys of mountain vegetation cover and composition; measures of the plant vigor, age, diversity, species density, and age class; other measures of the population of native species, showing these to be high enough to be viable in situ;

(b) indicators of ambient threats such as soil erosion or landslides, showing these to be below critical thresholds;

(c) measures of the population of key alien, invasive species; and

(d) ecological surveys within protected mountain areas, showing the maintenance of species diversity and endemism and the presence and abundance of indicator or keystone species.

Assumptions and risks to achieving the outcomes

4.13 A key assumption is that Implementing Agencies, in their regular work programs, will assist countries to analyze the causes[139] of biodiversity loss at the ecosystem level, which could include demographic and economic factors, and to identify and implement national plans that address such root causes. Supplementing this baseline course of action, GEF can assist with additional actions to address driving forces or proximate causes of biodiversity loss and unsustainable use.

4.14 There are some risks to achieving successful outcomes at the ecosystem level through conservation and sustainable use activities and these risks will be addressed through emphasis on good project design. The following important risk-reducing steps will need to be confirmed in project proposal documents:

(a) Complementarity. The necessary complementary activities, such as expected policy changes and the availability of bilateral and other sources of finance, will take place;

[139] World Resources Institute, 1992. Global Biodiversity Strategy, pages: 12-18

(b) Size and linkage. Large protected areas which are less isolated from other natural areas are expected to be richer in terms of species and more stable in terms of retaining the species they contain. Any protected mountain area should be large enough, and the practice of sustainable use of resources in the surrounding productive landscape should be widespread enough, to ensure that the most threatened and endangered components of biodiversity will be protected. Conservation corridors that link mountain areas may be needed as a means for gene flow and species migration -- especially for wide-ranging wildlife -- and as a hedge against climate change. This may involve large parts, or even entire mountain ranges, and the trans-border management of protected areas and watersheds; and

(c) Absorptive capacity. The absorptive capacity of agencies and NGOs to implement the GEF activity and all the other activities necessary for protecting the ecosystem and use available funds effectively.

Project outputs

4.15 Outputs of individual GEF activities in mountain ecosystems would be monitorable. Examples of outputs include:

(a) Protected areas. Well established protected areas with effective management plans, including multiple use areas in the alpine, sub-alpine, mountain grassland, and montane forest zones;

(b) Threat removal. Removal of the specific causes of, or threats to, biodiversity loss in the mountain, e.g., tourism impacts and deforestation;

(c) Sectoral integration. Incorporation of biodiversity protection into the main productive sectors of the economy; and integrated community development addressing livelihood issues of local and indigenous communities living in the buffer zone and areas of influence of protected areas;

(d) Sustainable use. Sustainable subsistence and land use practices; and

(e) Institutional strengthening. Stronger institutions and well-trained staff to address these issues.

GEF Activities

4.16 The GEF can support[140] investment, technical assistance, capacity building (institutional strengthening, human resource development, and information exchange, including participation in the

[140] GEF Operational Strategy, Chapter 2, Biodiversity, pages: 17-21

Clearing-house Mechanism), policy, public education, and targeted research. Through these means, GEF will help to finance the conservation of biodiversity and sustainable use.

4.17 In situ conservation is important because mountain ecosystems are a storehouse of diverse, endemic, and endangered biological diversity of global significance.

Typical conservation activities are:

(a) demarcating, gazetting, strengthening, expanding, and consolidating protected mountain areas and their buffer zones; creating and strengthening participatory and co-management schemes to build local support and ownership; promoting trans-border protected areas and their cooperative management;

(b) developing socio-economic activities to reconcile biodiversity conservation with human needs;

(c) assessing the impact of natural disturbances and the compound effects of anthropogenic stress;

(d) linking in situ conservation of wild species and genetic material with agro-biodiversity;

(e) controlling alien, invasive species;

(f) strengthening capacity building for biosafety activities formulated on a case-by-case basis in the context of a specific project responding to country-driven national priorities;

(g) identifying components of biological diversity important for its conservation with regard to the indicative list of Annex I of the CBD;

(h) identifying processes and categories of activities which have or are likely to have significant adverse impacts on the conservation and sustainable use of biodiversity;

(i) piloting selected activities that are country-driven national priorities and which develop and/or test methods and tools, such as rapid biological/ecological/social assessment, geographic information systems, and data analysis systems of importance for the conservation of biodiversity;

(j) demonstrating and applying techniques to conserve biodiversity important to agriculture, such as wild relatives of domesticated plants and animals;

(k) supporting capacity building efforts that promote the preservation and maintenance of indigenous and local communities' knowledge, innovation, and practices relevant to conservation of biological diversity, with their prior informed consent and participation;

(l) incorporating components for targeted research important for biological diversity conservation when relevant to project objectives and consistent with national priorities; and

(m) including sustainable use awareness components when relevant to project objectives and consistent with national priorities.

4.18 To maintain biodiversity and the diversity on biological resources, GEF sustainable use activities will be supported in mountain ecosystems. Sustainable development activities that integrate biodiversity and biological resource concerns are central to and a necessary foundation for national sustainable development goals. Typical GEF sustainable development activities would be in areas surrounding critical habitats that require integration of biodiversity protection and sustainable development in sectoral plans through integrated resource management projects. In addition, consistent with the incremental cost approach, GEF could pay for activities that could be modified specifically to protect biodiversity. Typical examples are of the first approach are:

(a) integration of biodiversity conservation and sustainable use objectives in land use and natural resource use management plans;

(b) integrated pilot projects providing alternative livelihoods to local and indigenous communities residing in buffer zones of globally important biological areas;

(c) capacity building for biosafety activities formulated on a case-by-case basis in the context of a specific project responding to country-driven national priorities;

(d) identifying components of biological diversity important for its sustainable use, with regard to the indicative list of Annex I of the CBD;

(e) identifying processes and categories of activities which have or are likely to have significant adverse impacts on the sustainable use of biodiversity;

(f) piloting selected activities that are country-driven national priorities and which develop and/or test methods and tools, such as rapid biological/ecological/social assessment, geographic information systems, and data analysis systems of importance for the sustainable use of biodiversity;

(g) demonstrating and applying techniques to sustainably manage biodiversity important to agriculture, such as wild relatives of domesticated plants and animals;

(h) supporting capacity building efforts that promote the preservation and maintenance of indigenous and local communities' knowledge, innovation, and practices relevant to the sustainable use of biological diversity with their prior informed consent and participation;

(i) incorporating components for targeted research important for the sustainable use of biological resources when relevant to project objectives and consistent with national priorities; and

(j) including sustainable use awareness components when relevant to project objectives and consistent with national priorities.

4.19 Typical examples for activities that could be modified specifically to protect biodiversity:

(a) integrated land use development and sustainable management, alternative livelihoods and poverty alleviation programs, and tenure reform and land titling (in and around protected mountain areas and their buffer zones and in riparian corridors, river basins, and watersheds that link highland with lowland ecosystems);

(b) soil conservation and restoration of degraded mountain areas to conserve biodiversity;

(c) conservation of agro-biodiversity and its linkage to sustainable use practices;

(d) energy conservation projects and alternative energy sources (such as solar, mini-hydel, and wind) in order to conserve the natural mountain vegetation; and

(e) establishment of long-term cost recovery mechanisms and financial incentives for sustainable use.

Project risks

4.20 Project proposals would also address the main risks to being able to reach the desired outputs by:

(a) Best practice. Using and adapting best practice for GEF activities, and best available knowledge to establish the necessary baseline and indicators to monitor impacts; and

(b) Local communities. Ensuring that programs are culturally sound, that they fit local customs and gain strength from community dynamics, and that the people recognize and receive benefits; ensuring that local participation in natural resources management from the start; and ensuring that local communities respect the limits on biological resource extraction.

Inter-Agency Coordination

4.21 The activities would be coordinated with the past, ongoing and prospective work of the Implementing Agencies and others. These will include experience gained, lessons learned, and dissemination of experience from the Pilot Phase activities, and the experience of multilateral, bilateral, and private institutions, the international and national NGO community, and international, regional, and national research centers and academic institutions.

4.22 In the Pilot Phase, only 3 out of the 57 biodiversity projects were explicitly for mountain ecosystems[141]. Yet, this experience, and that of other agencies,[142] provides some important lessons for prospective GEF activities. This includes lessons on how to bridge local concerns and priorities with global concerns as expressed in national commitments under the Convention on Biological Diversity, Convention on International Trade in Endangered Species, the Ramsar Convention, the World Heritage Convention, Agenda 21, and the Caracas Action Plan.

Land Degradation

4.23 Because of their fragility, mountain ecosystems have suffered severe land degradation. Projects focusing on the conservation of ecosystems and integrated land use will also naturally alleviate the problems of land degradation, but there will be areas which have been degraded to the extent that they will need rehabilitation and management for sustainability. Components addressing these specific issues will be developed within both types of GEF activity: conservation and sustainable use.

Public involvement

4.24 It is one of ten basic operational principles for the GEF that its projects will provide for consultation with, and participation as appropriate of, the beneficiaries and affected groups of people. The GEF Council approved a paper on Public Involvement in GEF-financed Projects that defines the procedures for information dissemination, consultation, and stakeholder participation, including the following:

(a) that there be emphasis on local participation and local stakeholders; and

(b) that specific conditions in-country should be taken into consideration.

4.25 These principles respond to the guidance of the COP.[143] Strategic partnerships will be sought, where possible, among all relevant stakeholders (e.g., government, NGOs, academia, the private sector, local communities, and indigenous groups), each group collaborating based on comparative advantage. Projects to implement the Operational Program will clarify the conditions of cooperation and contain transparent mechanisms to ensure the active participation of relevant stakeholders in the planning, implementation, and monitoring of project activities. Partnerships will be appropriate to local conditions and build on local expertise.

Resources

4.26 GEF resources will be used to meet the incremental costs of activities in this Operational Program. The financial resources required over the period of the first three years are estimated to range

[141] Source: GEF Annual Report 1995.
[142] Examples: Annapurna Protected area Project and Makalu-Barun National Park and Conservation Project, Nepal.
[143] Decision II/6, para 12, page 22, and Idem, Decision III/5.

from US $ 85 - 100 million. These projections take into account the uncertainty of this fragile environment which might call for some short term measures to save certain critical biodiversity.

OP Number 12: Integrated Ecosystem Management

Introduction

1. Ecological systems or ecosystems are responsible for life-supporting environmental services, such as the hydrological, nitrogen and carbon global cycles. They are essential for the survival of human beings because of the natural goods and services they provide, including water, food, and medicines. However, human interactions can have profound impacts upon the biological, chemical, and physical processes essential to maintaining the structure and functions of ecosystems (both natural and manmade).

2. Throughout the world, ecosystems are increasingly being subjected to human-induced impacts, such as overexploitation of forests, clearing of land for agriculture, infrastructure development, fossil fuel combustion, and burning of biomass that induce loss of biological diversity, land degradation, disruptions in water flow regimes and poor water quality, and increases in the concentration of atmospheric greenhouse gases. These impacts often have profound effects on human health and welfare as well as economic development.

3. Traditional attempts to address these impacts and the management challenges they pose are invariably based on sector-by-sector approaches, which have resulted in fragmentation of policies, institutions, and interventions. Such approaches have not achieved optimum results because the linkages and interactions among natural systems as well as with people have been ignored or compromised. Consequently, there is an urgent need for the adoption of management systems embracing comprehensive and cross-sectoral approaches. A particularly useful system is integrated ecosystem management.

4. Experience gained from natural resource management programs and other activities throughout the world offers useful insights into the application of integrated ecosystem management to optimize the positive ecological, economic, and social benefits of activities aimed at maintaining or restoring ecosystem structure and function. These lessons indicate that it may be necessary to define the management scale beyond the boundaries of a single habitat type, conservation area, political or administrative unit to encompass an entire ecosystem. Second, because the needs of human beings play a major role in the disturbance of ecosystems, natural resource management programs should integrate economic and social factors into ecosystem management goals. Third, because ecosystems are dynamic, management planning should be flexible and adaptive so that management strategies can be adjusted in response to new information and experience.

5. The GEF Operational Program on Integrated Ecosystem Management (OP#12) provides a comprehensive framework to manage natural systems across sectors, and political or administrative boundaries within the context of sustainable development. It facilitates inter-sectoral and participatory approaches to natural resource management planning and implementation on an ecosystem scale. OP#12

also facilitates prioritization and strategic sequencing of needed policy reforms, investments, and other interventions.

6. The Operational Program is not aimed at addressing natural resource management issues related to a single GEF focal area, but at bringing synergy between three of the GEF focal areas (i.e. Biological Diversity, Climate Change, and International Waters) and land degradation to optimize multiple benefits. It responds to growing stakeholders' interests in addressing holistically multiple convention objectives in accordance with national priorities. It builds on and complements GEF's existing Operational Programs by providing opportunities to address issues related to the conservation and sustainable use of biodiversity, land degradation, management of water bodies, and/or stabilization of atmospheric greenhouse gases through a programmatic approach and within the context of sustainable development.[144]

Convention guidance

7. Integrated ecosystem management, as noted above, provides a comprehensive and crosssectoral approach to addressing many of the goals of global environmental conventions and to the generation of multiple benefits. This approach is consistent with the three major Rio conventions on environment and development.

8. At the Second Conference of the Parties of the Convention on Biological Diversity (CBD), the state parties "reaffirmed that conservation and sustainable use of biological diversity and its components should be addressed in a holistic manner, taking into account the three levels of biodiversity and fully considering socioeconomic and cultural factors. However, the ecosystem approach should be the primary framework."[145]

9. The importance of social and economic factors is echoed in the United Nations Framework Convention on Climate Change (UNFCCC) which emphasizes, among others, the need to have comprehensive policies and measures to address issues related to the sources, sinks, and reservoirs of greenhouse gases, taking into account different socioeconomic contexts.[146]

10. Finally, the United Nations Convention to Combat Desertification (CCD) notes that actions to combat desertification (or land degradation in arid, semi-arid, and dry sub-humid areas) should be

[144] The GEF Operational Programs are: Arid and semi-arid ecosystems; Coastal, marine, and freshwater ecosystems; Forest ecosystems; Mountain ecosystems; Removal of barriers to energy efficiency and energy conservation; Promoting the adoption of renewable energy by removing barriers and reducing implementation costs; Reducing the long-term costs of low greenhouse gas-emitting energy technologies; Water-based operational program; Integrated land and water multiple focal area operational program; Contaminant-based operational program; and Promoting environmentally sustainable transport

[145] Convention on Biological Diversity Decision II/8.

[146] United Nations Framework Convention on Climate Change, Article 4, para. 3.

undertaken within the framework of an integrated approach that can contribute to sustainable development[147].

Program objectives

11. The Operational Program is aimed at catalyzing widespread adoption of comprehensive ecosystem management interventions that integrate ecological, economic, and social goals to achieve multiple and cross-cutting local, national, and global benefits. These benefits may include two or more of the following[148]:

(a) Conservation and sustainable use of biological diversity, as well as equitable sharing of benefits arising from biodiversity use;

(b) Reduction of net emissions and increased storage of greenhouse gases in terrestrial and aquatic ecosystems;

(c) Conservation and sustainable use of waterbodies, including watersheds, river basins, and coastal zones; and

(d) Prevention of the pollution of globally important terrestrial and aquatic ecosystems

12. Consistent with the incremental cost principle and the broad programmatic approach of this Operational Program, GEF funding, which will specifically support interventions to capture the global benefits of a program, will emphasize co-financing and cost-sharing.

Expected program outcomes

The expected outcomes of a GEF-supported intervention would include:

(a) Creation of an enabling environment: Appropriate policies, regulations, incentive structures, are developed to support integrated ecosystem management;

(b) Institutional strengthening: The capacity of institutions to implement integrated ecosystem management approaches is strengthened through training and logistical support; and

(c) Investments: Investments are made, based on integrated ecosystem approaches and stakeholder partnerships, to simultaneously address local/national, and global environmental issues within the context of sustainable development.

[147] United Nations Convention to Combat Desertification, Article 2, para. 1.

[148] Projects aimed at addressing one of these benefits should use the GEF Operational Program in the Biodiversity, International Waters, or Climate Change focal areas as the entry point.

Eligible GEF activities

13. GEF would facilitate sustainable transitions from conventional to integrated ecosystem management approaches by providing agreed incremental cost finance for technical assistance, investments, financial services, and targeted research to address constraints limiting the adoption of integrated approaches.

These constraints include:

(a) lack of up-to-date or complete ecological, social, and economic information, including traditional knowledge, to guide integrated and cross-sectoral management planning;

(b) lack of an appropriate policy and incentive framework, including failure of markets to internalize the costs of unsustainable management practices;

(c) absence of policies that promote appropriate human settlement patterns, particularly in ecologically fragile or vulnerable areas;

(d) limited human capacity to develop and implement integrated approaches to ecosystem management;

(e) lack of institutional mechanisms to facilitate integrated and cross-sectoral management practices such as instances of transferring resources from communities that benefit from ecosystem services to those that help to maintain them; and

(f) limited availability of appropriate financial instruments to cover the initial capital and transaction costs associated with integrated ecosystem management and to minimize actual or perceived economic risks that relate, particularly, to innovative approaches and technologies.

Typical GEF activities implemented within the context of sustainable development may include:

Technical assistance:

(a) ecological, economic, and sociological surveys to provide information, including indigenous knowledge, to guide integrated ecosystem management planning and implementation;

(b) development or modification of appropriate policies, regulations, incentives, and markets to support integrated ecosystem management, including those addressing human settlements in fragile or vulnerable areas;

(c) human resource development in integrated ecosystem management;

(d) development of mechanisms for conflict resolution among resource users and other stakeholders; and

(e) development of public/community/private sector partnerships for integrated ecosystem management planning and implementation; and

Investments:

(a) rehabilitation and/or improved management of rangelands to restore indigenous vegetation and improve water management;

(b) rehabilitation and/or improved management of a forested watershed or floodplain wetlands such as sustainable forest management to achieve multiple benefits, including improvements in soil and water conservation, aquatic biodiversity conservation, flood control, minimization of sedimentation of globally important water bodies, and reduction of net emissions or improved storage of greenhouse gases;

(c) integrated management of coastal and marine ecosystems to improve coastal land use planning and protect globally important habitats from degradation; and

(d) development of measures to control pollution from point and non-point sources to prevent the degradation of globally important habitats and minimize public health risks.

Targeted research:

(a) development of integrated natural resource management systems to respond to natural resource use patterns, under different intensities of human impact, and their effects on ecosystem structure and function; and

(b) development of innovative and cost-effectiveness integrated ecosystem management approaches to natural resources in different ecosystems.

Ineligible GEF Activities

(a) GEF will not support activities that may result in perverse incentives for integrated ecosystem management or may have negative environmental or social impacts. These activities may include:

(b) commercial logging in primary forests;

(c) conversion of natural landscapes into forest plantations or other monoculture systems[149];

(d) introduction of alien species; and

[149] Natural landscapes refer to areas where there are no significant human impacts on ecosystem structure and function.

(e) establishment of agricultural systems that displace affected communities to marginal lands.

Financing Modalities

14. The GEF will provide incremental finance to catalyze the development of innovative financial packages for information, advisory, and capacity building interventions as well as investments. These packages may include:

(a) grant contributions towards non-commercial trust funds helping to cover recurrent operating costs of integrated conservation management efforts or to reduce interest rates of mainstream lending for initial private investments in integrated natural resources management. In addition, activities will be financed through grants if their costs are not likely to be recovered by increased revenue[150];

(b) provision of contingent grants to address increased performance risks of investments in integrated management of productive ecosystems[151]. Non-grant financing services would be considered for commercial and quasi-commercial ventures that may recover initial incremental costs through increased income over time;

(c) provision of commitment authority to back partial risk guarantees or insurance programs that address perceived incremental conversion costs, or facilitate increased access to venture capital for investments in integrated management; and

(d) since interactions under the Operational Programs are expected to yield multiple benefits, global and domestic, the GEF will aim for fair cost and risk sharing by leveraging multiple sources of mainstream capitals.

Monitoring and evaluation

15. Activities funded under Operational Program #12 will have verifiable indicators to help evaluate implementation progress and to assess the extent to which it will meet and sustain the expected outcomes, including the global environmental benefits. Baseline information on these indicators will be compiled within the first year of the implementation.

Replication

[150] This grant financing is applicable, in particular, for technical assistance and targeted research activities of public and private not for profit entities

[151] Contingent grants are interest free equity loans whose full or partial repayment would be linked to investment performance

16. GEF-supported interventions will include activities such as documentation and dissemination of experience to facilitate replication. In addition, thematic reviews will be undertaken to document and disseminate broader lessons learned and good practices to encourage replication.

Collaborative arrangements and strategic partnerships

17. The GEF will seek strategic partnerships with interested public and private entities, including NGOs, to provide long-term co-financing for the implementation of sustainable interventions. These partnerships would normally also support broader development objectives as prioritized national plans, sectoral strategies, and programs. In accordance with relevant provisions of the GEF Instrument, partners may include local, regional, national, international, and bilateral public and private entities.

Public involvement

18. Public involvement in GEF-financed projects is one of the key principles for project design and implementation approved by the GEF Council in 1996. It involves information dissemination, consultation, and stakeholder participation. This principle will guide program design and implementation under this operational program. Mechanisms will be established during program development to facilitate stakeholder participation in design, implementation, and monitoring.

GEF Resources Allocations

19. GEF resources will be used incrementally to provide co-financing, cost sharing, etc. of activities proposed under s Operational Program #12. It is estimated that approximately $200 million annually will be required by the end of the decade as more experience is gained in program development and implementation.

OP Number 13: Conservation and Sustainable Use of Biological Diversity Important to Agriculture

Introduction

1. Agricultural biodiversity is of fundamental significance to human societies, providing sociocultural, economic and environmental benefits. It is essential to food security and poverty alleviation. Much of the knowledge about agricultural biodiversity is maintained by farmers themselves, many of whom are women. Domesticated crops and animals result from human management of biological diversity, and their continued evolution through improvement by breeders and farmers constantly responds to new challenges to maintain and increase productivity. The conservation and sustainable use of other aspects of agricultural biodiversity presents opportunities for enhancing soil fertility, naturally controlling pests, reducing the use of pesticides while increasing yields and incomes. A large proportion of crops depend on a diverse variety of insect pollinators for good yields and the genetic variability of the landraces and wild relatives of domesticated plants and animals are essential breeding sources. Diversified agricultural production and polycultural systems also offer opportunities to expand new markets and further stimulate the conservation of biodiversity important to agriculture.

2. The underlying causes for the loss of agricultural biodiversity are extremely complex. They are closely related to the needs of increasing food demands, growing market pressure, conventional patterns and policies of economic and agricultural development, and other demographic, economic and social factors. Many agricultural practices such as reliance on monoculture, exotic/cross breeds, high yielding varieties, mechanization, and misuse of agricultural chemicals have caused negative impacts on biological diversity at all levels - ecosystems, species and genepools - on both natural and cultural landscapes, and may be unsustainable, at least in the long term. Such loss of biological diversity, may be accompanied by the loss of the cultural diversity of traditional communities, and their impoverishment.

3. Taking into account these benefits and threats, conserving and sustainably using biological diversity important to agriculture is to a large extent in the local, national and regional development interests of the countries concerned. The global interest in maintaining agricultural biodiversity is linked to the fact that most species important to agriculture are, or may be of benefit not only to the region of their origin, but other regions of the globe as well. Additionally the conservation and sustainable use of associated agricultural biodiversity can contribute to maintaining the health and quality of the global environment, by for example providing habitats for wildlife, protecting watersheds, and reducing the use of harmful chemicals. Consequently, using agricultural biodiversity sustainably may provide environmental, economic and socio-cultural benefits on national, regional and global scales. GEF support would therefore help to integrate global environmental imperatives into existing sustainable development efforts in the appropriate regions and countries.

Convention guidance

4. The goal of this operational program is to promote the objectives of the Convention, in the area of agricultural biodiversity in line with the relevant decisions of the Conference of the Parties notably, III/11 (Buenos Aires, 1996), IV/6 (Bratislava, 1998) and V/5 (Nairobi, 2000). It responds to these decisions within the GEF mandate, which is to operate as a mechanism for the purposes of providing new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits.

5. The Third Meeting of the Conference of the Parties (COP) to the Convention on Biological Diversity (CBD/COP/III) adopted decision III/11 on the conservation and sustainable use of agricultural biological diversity. The decision established a multi-year program of activities aimed at promoting the positive impacts and mitigating the negative impacts of agricultural practices on biological diversity in agro-ecosystems and their interface with other ecosystems. Additional guidance was provided by Decision IV/6.

6. The COP decision III/5 further called on the Global Environment Facility, in accordance with decision III/11, to provide financial resources to developing countries for country-driven activities and programs, consistent with national priorities and objectives, for supporting, as a priority, efforts for the conservation and sustainable use of biological diversity important to agriculture.

7. COP Decision IV/6 welcomed the efforts being made by the financial mechanism in the development of its operational policy framework on agricultural biological diversity and urged the early completion of this framework in line with decision III/11, to provide effective implementation support to Parties and Governments in all agricultural ecosystems.

8. At its Fifth meeting, COP adopted elements for the further elaboration of its program of work. The four program elements are: (i) Assessments: to provide a comprehensive analysis of status and trends of the world's agricultural biodiversity and of their underlying causes (including a focus on the goods and services agricultural biodiversity provides), as well of local knowledge of its management; (ii) Adaptive management: to identify management practices, technologies and policies that promote the positive and mitigate the negative impacts of agriculture on biodiversity, and enhance productivity and the capacity to sustain livelihoods, by expanding knowledge, understanding and awareness of the multiple goods and services provided by the different levels and functions of agricultural biodiversity; (iii) Capacity building: to strengthen the capacities of farmers, indigenous and local communities, and their organizations and other stakeholders, to manage sustainably agricultural biodiversity so as to increase their benefits, and to promote awareness and responsible action; and (iv) Main streaming: to support the development of national plans or strategies for the conservation and sustainable use of agricultural biodiversity and to promote their mainstreaming and integration in sectoral and crosssectoral plans and programmes. The scope of the program of work includes both genetic resources for food and agriculture (plant, animal and microbial), and the associated biodiversity in agricultural ecosystems that provide goods and services such as nutrient cycling, decomposition of organic matter, pest and disease regulation, pollination,

maintenance of the hydrological cycle, erosion control and so forth. The programme of work incorporates the ecosystem approach in line with COP decision V/6.

Agricultural biodiversity program objectives

9. The objective of this operational program is to promote: the positive impacts and mitigate the negative impacts of agricultural systems and practices on biological diversity in agro-ecosystems and their interface with other ecosystems; the conservation and sustainable use of genetic resources of actual and potential value for food and agriculture; and the fair and equitable sharing of benefits arising out of the use of genetic resources. These objectives will contribute to the objectives of the CBD in the area of agricultural biological diversity, in accordance with COP guidance as well as the objectives of the Convention to Combat Desertification (CCD). Because agricultural biodiversity affects rural farming communities, which are among the world's poorest, GEF support will provide significant means for alleviating poverty while increasing productivity of biological and land resources. The Operational Program is not intended to substitute the existing GEF Operational Programs 1 to 4 on conservation of biodiversity in various ecosystem types, but rather to provide an operational framework for additional activities more specific to the conservation of agricultural biodiversity.

CONSERVATION, SUSTAINABLE USE AND SHARING OF BENEFITS

10. Activities will aim at sustaining the functions of biological diversity in agricultural ecosystems in order to maintain or enhance the goods and services provided by such biological diversity, including both those which support agricultural production, and wider services such as provision of clean water, control of erosion, and moderation of climatic effects. In this way, the impact of agriculture on the environment would be integrated into the planning and management of the wider ecosystem. GEF activities will be focused on maintaining goods and services which are positive externalities and on overcoming barriers to the realization of benefits, global and local, derived from such goods and services, through, for example, capacity building, better valuation of biodiversity-derived benefits and access to information.

11. Activities will be sought both within and adjacent to conservation areas and in the wider agricultural landscape giving attention to areas that are particularly important for their agricultural biodiversity and/or threat of genetic erosion or other forms of biodiversity loss. These efforts will take into account priority areas identified pursuant to Annex 1 of the Convention, national priorities identified pursuant to Articles 7 and 8, as well as scientific assessments completed under the Convention and other international agreements.. While certain activities may emphasize one or another of the three objectives of the CBD, most are likely to address all of them simultaneously.

12. The operational programs will support biodiversity conservation and sustainable use in the management of both natural and modified areas. This includes all human uses of ecosystems ranging from full protection through various forms of multiple use, with conservation easement, to full scale use -- such as agriculture, forestry, aquaculture, livestock production, and urban development. Activities that involve biodiversity management within the productive sectors of the economy promote long term sustainability

because they will help address the underlying causes of biodiversity loss and contribute to enhancing ecosystem structure and function.

Expected outocmes

13. A successful outcome is one where biological diversity important to agriculture globally, is conserved and used in a sustainable manner. There is a need to distinguish between agricultural biodiversity which is currently important for food security and sustainable livelihoods, (for example, that which contributes to the breakdown of organic matter and recycling of nutrients to maintain soil fertility; the maintenance of viable ecological systems including productive vegetation, fish and other animal populations; the elimination of invasive species; provision of ecological services to the wider ecosystem); and biodiversity important to future food security, such as genetic resources with the potential to thrive in future environments.

Monitoring and evalaution

14. The GEF operational programs in biodiversity outline how outcomes of project implementation will be monitored and evaluated. The following additional monitoring attributes apply more specifically to agricultural biodiversity[152]:

(i) assessments of changes in the diversity and density of biocontrol agents, pollinators, and soil microorganisms in relevant agroecosystems

(ii) surveys of trends in using land races, underutilized crops, and other rare species, as well as the breeding of traditional livestock and the in situ conservation of their wild relatives

(iii) surveys on the impact of regulatory change, fiscal, trade, incentive and capacity building measures on the market shares of agricultural products that have been produced and processed in sustainable agricultural production systems that promote agricultural biodiversity, such as organic farming

15. Verifiable indicators to monitor outputs at the project level will be developed to include project specific indicators to measure the removal of specific constraints, such as the recognition of specific sustainable farming techniques that enhance agricultural biodiversity. Local institutions such as national agricultural research systems and councils will be closely involved in such monitoring activities.

Assumptions and risks to achieve the outcomes

[152] These elements relate to the assessment activities of the program of work, element 1.

16. Overall assumptions and risks in the implementation of biodiversity operational strategies are listed in GEF Biodiversity Operational Programs, paragraphs 13 and 14. As in all projects, it is assumed that the baseline activities on which the project would build (or the funding for activities for which the project would complement), will have been committed by collaborating institutions in a timely manner. In the case of agricultural biodiversity, a particularly important assumption is that the country's proposed approach to taking advantage of new opportunities in agricultural biodiversity is fully achievable, economically viable, and socially acceptable within the overall policy, trade, and regulatory framework of the country. It is also assumed that the essential cooperation and partnership will be forthcoming from other institutions working in this area such as, Food and Agricultural Organization (FAO), International Fund for Agricultural Development (IFAD), International Plant Genetic Resources Institute (IPGRI), International Livestock Research Institute (ILRI) and other international agricultural research centers of the CGIAR.

Sustainability and replication

17. The outcome of new approaches to meet basic human needs while conserving the resource base would be sustained conservation and/or enhancement of agricultural biodiversity without continued external support. After a period of GEF support, agricultural biodiversity would be maintained through its contribution to sustainable livelihoods. Although there are a few instances where some economically non viable practices might need continued support from the global community, (e.g. setting aside land or delayed grazing or ploughing), the best strategy which assures sustainability is to make use of viable alternative farming approaches and species that are economic and socially acceptable. There are a wide range of examples of successful and diverse production systems that integrate practices such as mixes of crops-livestock-fish and forestry species. Replication potential will also be significantly enhanced as the industry grows and market access and other barriers are overcome. Successful outcomes would be replicated elsewhere on the basis of experience gained.

Project outputs

18. Outputs in agricultural biodiversity include the removal of threats and causes of agricultural biodiversity loss, sectoral integration through incorporating biodiversity protection into main production sectors, sustainable use of agricultural biodiversity through sustainable land management, enhancement of supply and demand of agricultural biodiversity, and stronger institutions with well trained staff to address the issues. Additional potential project outputs will include increased general status of ecosystems, through habitat restoration, return of endangered species in some cases, watershed conservation etc. There will also be an increase in the economic viability of production of products which are based on biodiversity positive methods of production.

GEF eligible activities

19. Activities outlined in the GEF Biodiversity Operational Programs which address objectives of the CBD in agricultural biodiversity:

(i) integrating agricultural biodiversity conservation and sustainable use objectives in land use and natural resources use management plans;

(ii) identifying and conserving components of biological diversity important for sustainable use of agroecosystems, with regard to the indicative list of Annex I of the CBD;

(iii) demonstrating and applying techniques to sustainably manage biodiversity important to agriculture, including wild relatives of domesticated plants, animals and their gene pools;

(iv) supporting capacity building efforts that promote the preservation and maintenance of indigenous and local communities knowledge, innovation, and practices relevant to the conservation and sustainable use of agrobiological diversity, with their approval and involvement;

(v) incorporating components of targeted research (including diversification of crops and breeds) important for the conservation and sustainable use of agricultural biodiversity in programmatic intervention when instrumental for the achievement of GEF biodiversity program objectives in specific ecosystems and countries consistent with national priorities; and

(vi) including sustainable use awareness components, when relevant, in program objectives and that are consistent with national priorities.

20. Activities in the GEF Biodiversity Operational Programs which can be modified to sustainably manage agricultural biodiversity:

(i) integrated rural development on a sustainable basis, e.g., farmers' seed supply and exchange, participatory plant breeding, and range management which may need to involve not only livestock, but also agriculture, infrastructure, marketing, wildlife and tourism;

(ii) integrated management of crops and animals that conserve biodiversity and reduce the use of pesticides and other inputs that may harm biodiversity;

(iii) soil conservation and restoration of degraded areas to conserve and sustainably use biodiversity;

(iv) natural resources management activities which emphasize integrated resource use with conservation and development, such as use of water resources and its distribution to ease grazing pressure and prevent vegetation deterioration;

(v) designation of protected areas that contain important pools of wild relatives of crops, breeds;

(vi) energy conservation projects that emphasize alternative energy sources to conserve the vegetation and biological diversity in human use;

(vii) establishment of cost recovery mechanisms and financial incentives for sustainable use; and

(viii) community-based farming and pastoral systems using indigenous technical knowledge.

21. Additional activities by which countries can conserve biodiversity important to agriculture within their normal sustainable development programs[153]:

Creating or enhancing an enabling environment.

(i) country-driven information, advisory, and extension services that draw special attention to viable farming and pastoral practices helping to conserve and sustainably use agricultural biodiversity;

(ii) advisory services to facilitate policy reform that would support the conservation and sustainable use of agricultural biodiversity[154];

(iii) ensuring public participation in the development of sustainable agricultural and resource use policies; and

(iv) development of national data and information services that can improve the supply and exchange of agricultural biodiversity.

Innovative economic tools and approaches.

(i) introducing regulatory incentives or removing disincentives (such as economic instruments, fiscal, trade and other incentive instruments) for sustainable agricultural production practices that help to enhance biological diversity;

(ii) promoting the development of markets and business opportunities for diverse production systems such as organic agriculture.

(iii) raising consumer awareness and improving demand in favor of diverse varieties instead of uniform products;

(iv) enabling access to innovative financing and financial risk management mechanisms to promote private investment in farming systems that conserve and sustainably use agricultural biodiversity; and

[153] All activity types constitute responses to priority issues outlined in decision III/11 of the COP.

[154] 3 cop decision III/11 paragraph 15 c cop decision III/11 paragraph 15 g cop decision III/11 paragraph. 15i

(v) activities to enable the reduction of transaction costs in farming systems which conserve agricultural biodiversity and use it sustainably i.e., support for the establishment of appropriate production, marketing, trading, and distribution techniques.

Creating new incentives.

(i) particular attention to indigenous groups and rural communities who maintain agricultural biodiversity of global importance through their farming practices.

(ii) development and introduction of gender-specific incentives and reward schemes for the use and conservation of indigenous knowledge that supports the conservation and sustainable use of agricultural biodiversity[155];

(iii) development of necessary human and institutional capacities to promote sustainable solutions in agricultural biodiversity conservation, including training, demonstration, technology transfer etc.;

LAND DEGRADATION

22. The intertemporal degradation of agricultural land - that is, a decline in long term productive potential - is already seriously limiting production, especially in the developing world. Degradation is also associated with off site-problems of sedimentation, carbon emissions affecting climate change, reduced watershed function and changes in natural habitats leading to loss of genetic stock and biodiversity. In response to these concerns, GEF activities in agricultural biodiversity will pay special attention to addressing issues related to land degradation including rehabilitation of degraded areas. In this respect GEF activities may contribute to activities which contribute to the objectives of the CBD and CCD.

PARTNERSHIPS

23. There are many institutions like the CGIAR, FAO, the private sector, etc, and stakeholders who have experience in the complex issues of agricultural biodiversity. Some have specific mandates in this field and many have facilitated development of agreed action plans which set out major objectives and commitment of countries in the conservation and sustainable use of biological diversity important to agriculture. Such action plans include, e.g., the Global Plan of Action for the Conservation and Utilization of Plant Genetic Resources for Food and Agriculture, which was adopted at the International Technical Conference, Leipzig, 1996 and supported through decision III/11, and the Global Strategy for the Management of Farm Animal Genetic Resources, which is under development in the FAO Commission on Genetic Resources for Food and Agriculture. The GEF will support eligible activities carried out under such programs. The GEF will work in partnership with these institutions and stakeholders, building on existing strengths and comparative advantages thus ensuring complementarity. Although the GEF does not provide support for international institutions or networks of organizations to carry out their mandates -

[155] See cop decision III/11 annex 1.

- even when these mandates include protection of the global environment -- such institutions and networks may often be well placed to execute specific country-driven projects for the GEF. In such partnerships, costs would be shared: the GEF would finance specific incremental project costs while the partner organizations that execute the project would finance their own overheads, out-of-country expenses, and the cost of implementing their regular mandates and work program.

Public involvement

24. The GEF Council approved the policy paper *Public Involvement in GEF-Financed Projects*, in April, 1996, which constitute one of ten operational principles to be followed in the design and implementation of projects. This policy ensures that the project has sufficient funding and technical support to carry out consultations with, and participation, as appropriate of, the beneficiaries and affected groups of people. In most projects dealing with agricultural biodiversity, the groups most vulnerable to project outcomes would be farming communities and surrounding villages whose incomes would be dependent on agricultural outputs and services.

25. The participation of disadvantaged groups, such as indigenous communities and women, will be given attention. Such participatory approaches are also consistent with the guidance from the CBD/COP, which covers strategic partnerships with, wherever possible, relevant stakeholders in government, civil society (including the academic institutions), and the private sector. Projects dealing with agricultural biodiversity will clarify the conditions of cooperation and transparent mechanisms to ensure the active participation of key stakeholders in planning, implementing, and monitoring of project activities.

Project cycle

The GEF Project Cycle document, updated up to November 2003 by the GEF Secretariat in document GEF/C.22/Inf.9, illustrates the various steps that projects have to progress through to obtain financial support from the GEF. This document summarizes the major phases of project cycle activities in the Implementing and Executing Agencies, describes in detail the different GEF decision and intervention points, and explains when and how the GEF decision points interface with the Agencies' project cycle. It also describes the requirements and project review criteria applicable at each decision point. It should be noted that each Agency has its own project cycle phases and procedures.

All GEF-financed projects fall under one of the following project types: full-sized projects (FSPs); medium-sized projects (MSPs); enabling activities (EAs); national capacity self assessment (NCSAs); Small Grants Program (SGPs).

Full-sized projects

1. The GEF Implementing and Executing Agencies are responsible for five major phases of the project cycle: (i) Project concept development; (ii) Project preparation; (iii) Project appraisal; (iv) Project approval and implementation supervision; and (v) Project closing and evaluation.

2. For full-sized projects, progression from one phase to another in the project cycle is through four discrete GEF decision or review points involving the Secretariat:

(a) Concept agreement review;
(b) PDF-B/C approval;
(c) Review for inclusion in the Work Program which is submitted to the Council for approval; and
(d) CEO endorsement review.

During project implementation, GEF M&E Unit's review of the projects and the terminal evaluation (when the project is closed) also interface with the Agencies' project cycle. The project cycle phases and decision points are shown in **Figure 1.**

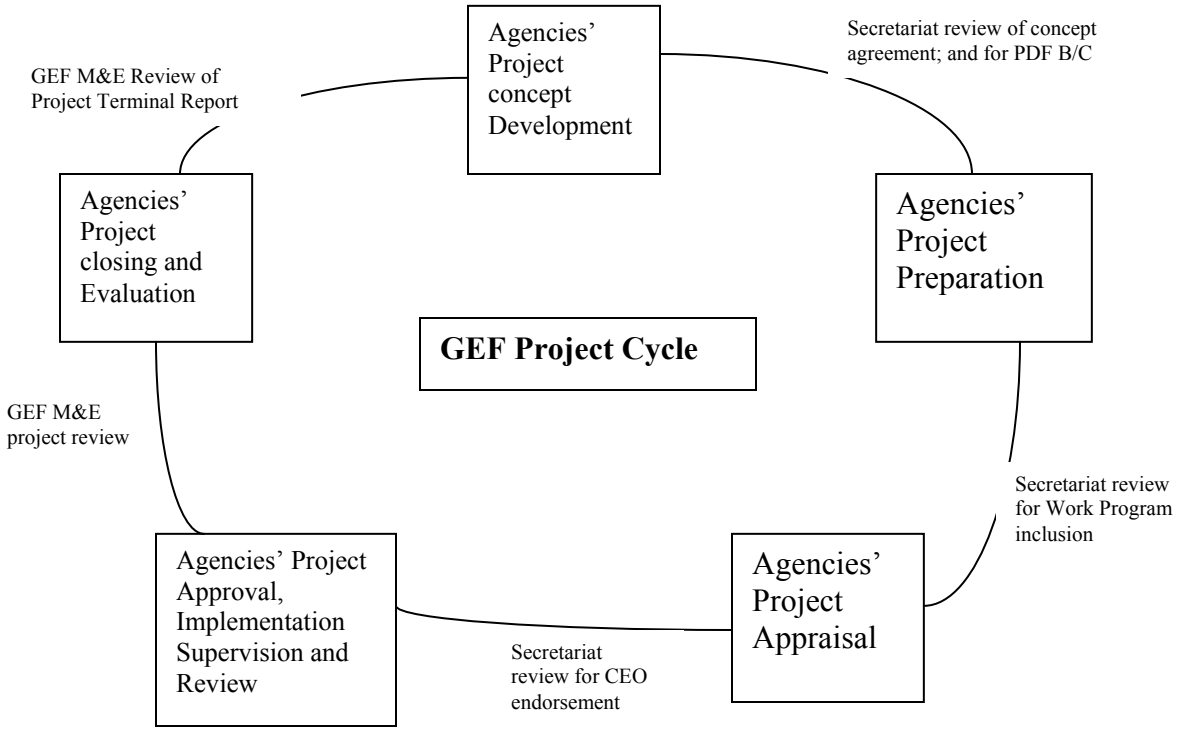
3. At the review points, the Secretariat/CEO, or the Council considers documented proposals on the basis of the GEF Strategic Priorities and Project Review Criteria. At the last phase of the Project Cycle, after the closing of the project, the Agency is responsible for undertaking a terminal evaluation and reporting to the GEF Monitoring and Evaluation Unit, which reviews the evaluation. Lessons from project performance are compiled and disseminated as feedback for future project development.

4. The different phases of the project cycle are the responsibilities of the Implementing/Executing Agencies. The discussion of the GEF project cycle, in the next section, focuses first on the requirements for the full-sized projects, followed by medium-sized projects and enabling activities.

Phase I: Project Concept Development

5. Concept Document/Pipeline Entry. The **first GEF decision point** is Concept Agreement prior to the project proposal entering the GEF pipeline. The purpose of the Concept Review is to reach general agreement that a concept meets the overall objectives of the GEF before the Implementing/Executing Agency spends significant resources or makes major country commitments. A project must be listed in the GEF Pipeline Document circulated to the Council prior to the Work Program in which the project is included for Council approval. Pipeline Documents are published quarterly. Concept agreement review and pipeline entry is therefore a requirement for all projects that require approval by the Council – full-size projects and enabling activities requesting more than the predefined ceilings under the respective focal /thematic areas.

Figure 1. Critical GEF Decision Points and Agencies' GEF Project Cycle



6. An Implementing Agency can selectively provide Project Preparation and Development Facility financing not exceeding $25,000 (PDF-A) for concept development work at the national level. After a Concept Document is prepared, an Implementing/Executing Agency submits the document to the Secretariat to seek Concept Document Review Agreement. A *Concept Document template* (available on GEF's website) aims to provide common platform for presentation among agencies and proponents of the project, focusing on those elements that are important for the review. The document should provide sufficient coverage of items set out in the Project Review Criteria. The Concept Document is also submitted to the other Implementing Agencies, the relevant Agencies operating under the policy of *Expanded Opportunities for Executing Agencies,* the relevant convention secretariat, and the STAP Chair for comment, which are taken into consideration by the GEF Secretariat in its decision on pipeline entry. A 10-day circulation period, followed by a project review meeting involving the relevant Implementing/Executing Agencies takes place before the document is approved for pipeline entry.

7. The Secretariat reviews the concept proposal against the strategic priority and project review criteria that are relevant for that type of project, and applies the criteria for conceptual conformity only. The Implementing/Executing Agency is responsible for the technical content of the concept. The Secretariat can make one of the three following decisions:

(a) Recommended for pipeline entry.

(b) Recommended for pipeline entry subject to certain requirements.
(c) Not recommended for pipeline entry.

For (a) and (b), the Secretariat also reaches an understanding with the Implementing/Executing Agency regarding the level of project preparation that is expected for subsequent reviews at Work Program inclusion and CEO endorsement respectively, consistent with the project review criteria for those steps. The Secretariat accordingly employs a *Concept Agreement Review Template* (available on GEF's website) for reviewing the Concept Document against the project review criteria and to document agreements reached with the Agency. The resulting GEF pipeline is published quarterly.

8. The first GEF decision at this Concept Agreement Review stage could involve approval of a Concept Document only for entry into the project pipeline or in addition, a second GEF decision for approval of a Project Preparation and Development Facility-B (PDF-B) financing, if requested.

9. Targeted Research Proposals. Implementing/Executing Agencies are expected to provide the GEF Scientific and Technical Advisory Panel (STAP) Secretariat on a rolling basis, with a list of Targeted Research (TR) Proposals under preparation to enable the STAP to identify appropriate experts to review the concepts when they are ready. Targeted Research Proposals or project proposals with sizeable targeted research components must be submitted to the GEF Secretariat for concept clearance and Concept Agreement Review. Proposals deemed eligible (consistent with GEF operational programs) by the Secretariat will be distributed to the GEF Research Committee. Proposals will be circulated to the Research Committee (and designated experts) on a rolling basis for review and comment. Committee reviews are done within 15 working days on the assumption that prior circulation to identify experts has been possible. If not, the STAP chair could request further period of up to 15 working days may be necessary to identify relevant experts and complete the concept review. The concept, if cleared by the Research Committee, is then admitted into the GEF pipeline

Phase II: Project Preparation

10. During this phase of project development, the Implementing/Executing Agency supports the project proponent(s) in the detailed preparation of the project. This may include, inter-alia, feasibility studies, technical and scientific design, development of a financing plan and other items associated with project development, supported with PDF-B and/or other resources. During this phase of the project cycle, there are two key GEF requirements that projects have to meet.

Country Endorsement.

11. Each project must obtain an endorsement of the GEF national operational focal point in the recipient country (or recipient countries in the case of regional projects or projects in multiple countries; global projects, with no country-level implementation, are exempted from the requirement of focal point endorsement) for approval of GEF funding (PDFs and inclusion in the workprogram). Countries may choose to follow the streamlined country endorsement process outlined in Box 1.

Box 1. Streamlined Country Endorsement

Endorsement by the national operational focal point is a requirement for (i) any approval of funds from the Project Development Facility (PDF); and (ii) a project to enter the Work Program. Endorsement from the national operational focal point is not a requirement to submit a Project Concept Document for review prior to entry into the GEF pipeline. Nevertheless, a number of country operational focal points have objected to the inclusion in the GEF pipeline of concepts for projects to be carried out in their respective countries that have not been endorsed by the focal point, and they have insisted on endorsement prior to concept submission.

A country endorsement by the national operational focal point provided at the time a request is submitted for GEF PDF-B funding, or for PDF-A funding for MSPs, will suffice as the country endorsement for the project proposal submitted for inclusion in the Work Program (or for CEO approval of MSPs), unless the national focal point specifically requests that a second endorsement be sought prior to Work Program inclusion (CEO approval of MSPs). The Secretariat may also request the Implementing Agency to seek a second endorsement prior to inclusion of the project proposal in the Work Program (or CEO approval of MSPs) (i) if the Secretariat determines that the project design has fundamentally changed between PDF request and the project proposal submission, or (ii) when there are specific country commitments in the project proposal that require confirmation.

With the exception of medium-sized projects, country endorsement submitted with a PDF-A request will not suffice as an endorsement for subsequent project processing. An additional country endorsement is required for a PDF-C, usually requested for further project preparation after a project has been approved by the Council or recommended for Work Program inclusion by the CEO.

National operational focal points that wish to endorse concepts prior to their entry into the GEF Pipeline may continue to do so. The agency developing the concept for pipeline entry will be responsible for (i) informing the focal point about concepts submitted for review prior to entry into the GEF pipeline; and (ii) advising them on GEF requirements regarding formal country endorsements in the GEF project cycle. In all cases, the GEF Secretariat will inform the relevant focal point of concepts that have entered in the GEF pipeline.

STAP Roster Review.

12. Each project must be submitted for scientific and technical review to a technical expert selected from the STAP Roster. In exceptional circumstances, due to the nature of the project, the Implementing/Executing Agency may use another reviewer in agreement with the STAP Chair. The review by the expert must be attached to the project proposal at Work Program inclusion, with an explanation on how the project preparation and design has responded to the comments. STAP roster reviews are not required for projects that do not require Council approval (and are therefore not in the GEF pipeline, e.g. medium-sized projects, expedited enabling activities).

13. After project preparation, the Implementing/Executing Agency submits to the Secretariat the project proposal documents (including the incremental cost analysis, the STAP Roster review, and the country operational focal point endorsement) together with a Project Executive Summary that documents conformity with the GEF strategic priorities, policies and programs according to the project review criteria for Work Program inclusion. In addition, the Implementing/Executing Agency submits to the GEF Secretariat a request for project cycle management fees associated with the project.

14. At this stage, the proposal is expected to be at an advanced, but not necessarily completed, level of preparation as it will be the basis for approval by the Council (the majority of the work financed under a PDF-B grant is expected to be complete). The complete project documentation is also submitted to the other Implementing Agencies, relevant Executing Agencies operating under the policy of expanded opportunities, the relevant convention secretariat, and the STAP Chair for comments to the GEF Secretariat within 10 working days. The Secretariat reviews the proposal (and the associated fee request) primarily on the basis of the Project Executive Summary, the Project Review Criteria, and comments received from other partners.

Preparation for Work Program Inclusion

15. After reviewing the project proposal submitted for Work Program inclusion, the Secretariat can make one of the following four decisions for each project proposal which is considered as the third GEF decision point:

(a) Recommended for Work Program inclusion with specific conditions for CEO endorsement.

(b) Recommended for Work Program inclusion if specified agreements with the GEF Secretariat are reflected in the project documentation within a week and with specific conditions for CEO endorsement.

(c) Work Program submission deferred, but proposal may be resubmitted for consideration for a future Work Program once issues have been resolved or preparation is further advanced.

(d) Project has become ineligible and not recommended for Work Program inclusion or further development.

16. The Secretariat collects all the cleared projects into a Work Program and prepares a draft Work Program Cover Note, reflecting the proposed Work Program's conformity with the GEF Business Plan and Strategies, the GEF Project review criteria, and novel approaches if any in the projects under consideration. The draft Cover Note is submitted for discussion to the GEF Operations Committee (GEFOP). Following the GEFOP meeting, the CEO approves the Work Program for submission to the GEF Council.

Work Program submission to Council

17. The Implementing and Executing Agencies submit revised final project executive summaries for Work Program inclusion. The Secretariat assembles these documents and posts the Work Program on the

GEF website for circulation to Council Members, Alternates, Implementing and Executing Agencies, etc. Typically, up to four Work Programs are submitted to the Council for approval each year. One is always submitted at each of the two Council Meetings and one may be submitted intersessionally between successive meetings.

Approvals at Council Meetings

17. At a Council Meeting, the Council may approve the Work Program in whole.[16] This approval is subject to comments made at the meeting or by Council Members in writing within two weeks of the meeting.

Approvals by mail for Intersessional Work Programs

18. Projects submitted to Council intersessionally are considered approved on a no objection basis after a four week review period through posting on the GEF website. A Council Member may choose to approve the Work Program, to object to the Work Program, or to object to a project proposal or proposals in the Work Program. If one or more Council Members object to the intersessional Work Program, the Work Program will not be approved. Instead, it will be submitted to the Council for review at its next regular meeting. If one or more Council Members object to a project proposal or proposals in the intersessional Work Program, such project proposals will be deferred for consideration at the next regular meeting of the Council. The rest of the Work Program will be approved. Projects that have associated policy issues are not usually included in the intersessional Work Program.

19. Whether a project is approved through a Council meeting Work Program or an intersessional Work Program, a Council Member may also request that the Council prior to subsequent endorsement by the CEO review a project proposal. The Council in its decision on these procedures recognized that such requests are to be made only on policy grounds.

20. In approving the Work Program, the Council will also approve the fee payable to the Implementing/Executing Agency for managing the projects in the Work Program. This fee covers all phases of the Agency's work associated with Project Cycle Management services, including earlier administration of any preparation work and all subsequent supervision, monitoring, reporting, and evaluation. Where an Implementing Agency shares implementation responsibilities with an Executing Agency, the fee will be divided between the Agencies as per any agreement between them.

21. Projects that have been approved by the Council for Work Program inclusion are now ready for further preparation and appraisal by the Implementing/Executing Agency.

Phase III: Project Appraisal

22. In this phase, the Implementing/Executing Agency appraises the project that has received Council approval for Work Program inclusion. Projects submitted for CEO approval under expedited procedures

(such as MSPs, EAs within the defined CEO approval authority) are considered fully appraised. During appraisal, the Implementing/Executing Agency finalizes detailed project arrangements, legal agreements, including the incremental cost of the project, with the recipients.

23. Project Document. Once the project is fully prepared/appraised and is ready for approval by the authorizing body of the Implementing/Executing Agency, the final project document (incorporating response to earlier comments by Council, Secretariat, etc) is sent to the GEF Secretariat seeking the endorsement of the CEO. The Project Document should present the overall project, including the non-GEF financed components and be consistent with the Project Executive Summary submitted to the Council for inclusion in the Work Program. Council has delegated the endorsement review to the Secretariat except for those projects it specifically reserves, at the time of approval for Work Program inclusion, for its own review.

24. The Secretariat reviews the document in accordance with the Project Review Criteria required for CEO endorsement, a fourth GEF decision, with focus on the following:

(a) The document is consistent with the Project Executive Summary approved by Council, and no significant changes in project design since approval by the Council;

(b) Co-financing is in place and written confirmation of commitment by the cofinanciers has been obtained, as appropriate; and

(c) All comments from the Secretariat and Council have been responded to and there are no other outstanding comments in the project.

25. For those projects that the Council deemed necessary to re-circulation to the Council for a second review, a four-week comment period is allowed. If, during the review period, four or more Council Members raise objections to a project because in their view the project is not consistent with the GEF Instrument or GEF policies and procedures, CEO endorsement is withheld, and the project is submitted to the next regular Council meeting for review. Otherwise, the CEO endorses the project at the end of the four week period, after which the document is publicly available and posted by the Secretariat on the GEF website (www.thegef.org).

26. In order to accord proper acknowledgement to GEF for providing funding to the project, all project documents should include a paragraph to explicitly require that a GEF logo should appear on all relevant GEF project publications, including among others, project hardware and vehicles purchased with GEF funds. Any citation on publications regarding projects funded by GEF should also accord proper acknowledgement to the GEF.

Phase IV: Project Approval and Implementation Supervision

27. After endorsement of the project by the GEF CEO, the Implementing/Executing Agency submits the project for approval to its authorizing body. No final approval should be sought for the project through neither the organization's regular approval process nor any commitment made before the CEO has

endorsed the project document. After approval within the Implementing/Executing Agency, project implementation is initiated following procedures at the Agency.

28. The responsibility for supervision of project implementation, and monitoring and evaluation at the project level rests with the Implementing/Executing Agency. Once a project has been under implementation for at least a year, annual project implementation reports (PIRs) are submitted to the GEF Monitoring and Evaluation Unit as part of the annual Portfolio Performance Review (PPR). The project may be subject to the GEF M&E Specially Managed Project Reviews (SMPRs) that review conformity of project during implementation with the GEF Project Review Criteria. The project may also be evaluated as part of a larger GEF M&E studies, such as thematic evaluations and program studies.

29. Implementing and Executing Agencies are encouraged to require their project managers to undertake a project mid-term review that could be useful to identify corrective actions if the project has had trouble in implementation and/or in progress towards achieving project objectives. While the potential for a follow-on or second phase project could also be recommended in a mid-term review report which would lead to the preparation of an interim evaluation, Implementing/Executing Agencies should emphasis to the project managers that the objective of the mid-term review is to focus on the evaluation of how well the project is, or was proceeding and independently identify the need for additional support.

Phase V: Project Completion and Evaluation

30. All projects will upon completion have Terminal Evaluation reports that will be submitted to the GEF Monitoring and Evaluation Unit in accordance with the GEF Guidelines for the preparation of such reports and made public. A terminal evaluation will not contain an appraisal of a follow-up phase.

31. For some projects, the Implementing/Executing Agency may conduct an ex-post impact evaluation, after the project has been closed for sometime. The objective is to assess the impact of the project that may occur only after years of project closing. The Implementing/Executing Agency will submit these type of reports to the GEF M&E Unit for information purpose as this is of special interest to the GEF to review the environmental impact of projects after years of closing and to incorporate these into the lessons learned database for future reference.

32. Projects may be subject to other monitoring and evaluation requirements as decided in the work plans for the GEF M&E Unit by the GEF Council.

Follow-up or Second Phase Project.

33. Under special circumstances, some projects may require a follow-up phase, even if this was not envisaged initially. In these cases, Implementing/Executing Agency would have to provide substantial justification for the additional GEF funding. Project proposals requesting support for follow-up phases will be accompanied by an independent terminal evaluation of the earlier phase when the project concept is reviewed for pipeline entry. If the current phase of the project is still under implementation, an interim

evaluation will be prepared following the GEF Guidelines for Terminal Evaluations and presented together with the project concept at pipeline entry. This interim evaluation will be carried out by persons independent from those responsible for the design and implementation of the new phase, and GEF M&E Unit will review the TORs of the interim evaluation. Furthermore, in these cases, the project concept will be admitted into the GEF pipeline (and any associated PDF-B reviewed and approved if necessary), with the following binding conditions:

(a) A terminal evaluation of the project will be submitted along with the project proposal for Work Program entry; and

(b) The proposal will reflect the experience and lessons of the earlier phase.

If either of the above conditions is not met, the project will not be recommended for entry into the Work Program.

Medium-sized projects

1. Medium-sized projects (MSPs) are those that request up to $ 1 million in GEF funds and go through an expedited processing, where approval has been delegated by the Council to the CEO. The objective for introducing the expedited processing was to increase flexibility in the programming of resources and to encourage a wide range of interested parties to propose and develop project concepts through the MSP processing. This type of projects should satisfy either the requirements of a Strategic Priority and (i) an Operational Program, or (ii) of short term response measures. The CEO's approval is final and the Implementing/Executing Agency is free to commit the funds to the country after following its own internal documentation and approval procedures. The CEO will also approve the fee payable to the Agency for managing the medium-sized project in accordance with the decision on fees.

2. MSP concepts or draft project documents are usually reviewed by the Implementing Agency (and those Executing Agencies with direct access to GEF resources) and do not require review by the Secretariat nor formal listing in the GEF pipeline. A project proponent, however, has the opportunity to submit a draft MSP document to the Secretariat, through the IA, for eligibility review and may request for a PDF-A grant from the Implementing Agencies. The evaluation of an MSP for approval is subject to the same GEF Project Review Criteria as the full-sized projects (available on GEF's website). However, MSPs go through a much more simplified Project Cycle than the full-sized projects as illustrated in Table 1. MSPs do not require STAP review, although Implementing/Executing Agencies may seek STAP review especially for projects involving technical and scientific components to benefit from their expert opinion.

Table 1. GEF Decision Points and Agency Project Cycles: Full-sized vs Medium-sized Projects

FSP	Project Concept/Pipeline Entry-reviewed by Secretariat	Work Program Inclusion approved by Council	Project document endorsed by CEO	Project Implementation/Completion – approved by Implementing/Executing Agencies
MSP	Concept or draft project document –reviewed by Implementing/Executing Agencies	N.A.	Project document approved by CEO (after a 15-day circulation period to the Council)	Project Implementation/Completion – approved by Implementing/Executing Agencies.

3. As opposed to full-sized projects where there are three steps of submission to the Secretariat, MSPs are submitted on a rolling basis to the Secretariat (the document is circulated to the Council for a 15-day comment period). The evaluation report on the implementation experience of the MSPs over the

past few years is currently under review by a MSP Working Group which aims to explore and identify follow-up actions that would best respond to the recommendations made in the report.

Enabling activities

1. Enabling activities, as defined in the GEF Operational Strategy, represent a basic building block of GEF assistance to countries. They either are a means of fulfilling essential communication requirements to a Convention, provide a basic and essential level of information to enable policy and strategic decisions to be made, or assist planning that identifies priority activities within a country. Countries thus enabled will have the ability to formulate and direct sectoral and economy-wide programs to address global environmental problems through a cost-effective approach within the context of national sustainable development efforts.

2. Enabling Activity projects provide financing for the preparation of a plan, strategy, or program to fulfill commitments under a global environmental convention and preparation of a national communication or report to a relevant Convention. The GEF currently finances enabling activities related to the conventions on biodiversity, climate change, and persistent organic pollutants.

3. Enabling activities are submitted to the Secretariat on a rolling basis throughout the year, and if the total cost of GEF financing does not exceed $350,000 which is a ceiling approved by the Council, it may be processed in accordance with expedited procedures and approved by the CEO. In addition, another $100,000 may be requested under the same procedures (available on GEF's website). Under expedited procedures, there are operational guidelines for each type of enabling activity that are to be followed in preparing a project. Operational guidelines are prepared taking into account the relevant guidance from the Convention.

4. Projects requiring more financing than the Council approved ceiling may be processed through the regular GEF project cycle as full-sized projects.

5. As a follow-up to the GEF Capacity Development Initiative (CDI), Council approved GEF support for National Capacity Self Assessment (NCSAs) to countries that request such assistance.[6] The primary objective of NCSAs is to identify country level priorities and needs for capacity building to address global environmental issues, with the aim of catalyzing domestic and/or externally assisted action to meet those exercises**.** Requests up to $200,000 are reviewed and processed under expedited procedures, following GEF operational procedures for NCSAs, and approved by the CEO; requests over $200,000 are processed for submission to the GEF Council as FSPs.

Project preparation and development facility (PDF)

1. There are three different types of PDF grants, i.e. PDF-A, PDF-B, and PDF-C. The use of these PDFs is based on project need and the stages of the project cycle.

Project Preparation and Development Facility-A (PDF-A)

2. Before a project concept is developed, an Implementing Agency can selectively provide Project Preparation and Development Facility financing not exceeding $25,000 (PDF-A) for concept development work at the national level (refer to **Box 2** for items eligible for PDF-A funding). PDF-A requests must be endorsed by the GEF national operational focal point. Each Implementing Agency is responsible for ensuring that submissions are for eligible countries and activities, and correspond to the strategic and operational priorities of the GEF. The PDF-A proposals are shared with other Implementing Agencies and the GEF Secretariat, which may provide comments to the Implementing Agency.

Box 2. Items Eligible for PDF-A

Funding would cover: (i) local consultations, national hearings, and/or workshops to discuss specific project and/or program ideas, including translation into local languages where appropriate and the preparation of background papers that could facilitate discussion; (ii) travel costs for local experts to visit neighboring countries for consultations and discussions on potential transboundary projects; (iii) consultancies to develop program and/or project options, including the preparation of terms of reference for feasibility studies, strategy papers and, where possible, the preparation of such papers; (iv) scientific, technical and environmental reviews of proposed projects to ensure that they warrant further consideration; and (v) costs of external expertise, as appropriate.

Project Preparation and Development Facility–B (PDF-B)

3. After a project concept has been accepted for entry into the GEF pipeline, the Implementing/Executing Agency may request a PDF-B grant to prepare the project. These grants can be up to $350,000 for projects in single countries, and up to $700,000 for projects involving preparatory activities in multiple countries as in the case of regional/global projects. The request must be endorsed by the national operational focal point of the recipient country (or recipient countries in the case of regional/global projects). The proposal could be submitted to the GEF Secretariat on a rolling basis, with copies to the other Implementing Agencies, relevant Executing Agencies, the relevant Convention Secretariat, and the STAP Chair. After review and receipt of comment, approval (or non-approval) is given by the CEO. To streamline the review process, any requests for PDF-B may be submitted at the time a project concept is submitted for review and entry to the GEF pipeline.

4. The review and funding of activities in a PDF-B grant (refer to **Box 3** for items eligible for PDF-B funding) is made with reference to requirements of the associated project development at subsequent

milestones – review for Work Program inclusion for Council approval, and CEO endorsement. PDF-B should normally be sufficient to cover the costs of project preparation and provide the necessary information to complete project appraisal and prepare the documentation for Agency approval. Where feasible, PDF resources should normally complement other sources of finance for preparation of a project proposal. GEF project preparation resources should be allocated on an incremental cost basis, taking into account the likely level of financing by the GEF in relation to the other co-financiers.

Box 3. Items Eligible for PDF-B

PDF-B funds would normally be used: (i) to provide information necessary for the preparation of GEF project proposals including pre-feasibility, feasibility, basic costing, technical and scientific design parameters, and the development of a financing plan, including an assessment of incremental costs; (ii) for in-country preparation of the project proposal, including project workshops, consultation with interested parties and stakeholders, and local participation, where warranted in project design; (iii) for national and/or sectoral preparatory work required for the design of the proposed GEF activity. This could include assistance in preparing sectoral plans and programs (such as energy, industry, or agriculture) which have a direct bearing on project design; national policy analysis; and inventories and data analysis in support of the proposed project; and (iv) for small community-based activities to prepare for project implementation.

Project Development Facility–C (PDF-C)

5. The Agency may also submit a request for a grant of up to $1 million (PDF-C) to provide additional financing—where required for large projects—to complete technical design and feasibility work. The CEO is authorized to approve PDF-C resources up to a ceiling of $1 million. As in the case of PDF-B, PDF-C resources should normally complement other sources of finance for preparation of a project proposal. See Box 4 for reference to the use of PDF-Cs.

Box 4. Items Eligible for PDF-C

Access to PDF-C funds would normally be limited for those projects which: (i) have been approved by the Council, but require more technical work; (ii) are large scale, normally infrastructure, projects which require considerable technical design and engineering feasibility work; and (iii) where all preconditions of project preparation have been met, including national consultations, technical and engineering pre-feasibility work, and country commitment.

6. The three types of PDF grants are designed to cover most of the preparation needs for a project before it is appraised and presented by Implementing/Executing Agencies to its internal board for approval. For clarification, expense items that are not eligible for using PDFs are described in Box 5 below.

Box 5. Items Ineligible for PDF Funding.

Normally, the following items would not be eligible for PDF funding: (i) in order to distinguish project preparation costs from the administrative costs of the Agencies, costs associated with the work of specialized Agency staff or consultants retained by the Agency needed for a particular task (over and above those covered by administrative budgets) unless, on an exceptional basis, a country requests a particular staff member or Agency consultant by name. In these latter circumstances, travel and subsistence costs could be covered; (ii) non-project preparation costs including: project start-up costs, demonstration and pilot projects; the implementation of large scale enabling activities including detailed country-wide inventories and country studies; training activities other than where they are directly related to project preparation; and major research; (iii) capital goods other than those directly required for project preparation, such as computers and engineering equipment; and (iv) goods and services that can be procured through funding channels other than the GEF.