

Operational Strategy

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**Operational Strategy
of the Global Environment Facility**

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Contents

Foreword	vii
Policy Framework	1
Mission	1
Strategic Considerations	3
Programming of GEF Operations	7
Biological Diversity	13
Convention Guidance	14
Strategic Considerations	14
Operational Programs	15
Enabling Activities	21
Short-Term Response Measures	22
Climate Change	30
Convention Guidance	30
GEF-Financed Activities	31
Long-Term Measures	32
Enabling Activities in Support of National Communications	37
Short-Term Projects	37
International Waters	47
The GEF Role	48
Biological Diversity and Climate Change	50
Land Degradation	50
Operational Programs	51
Strategic Action Programs	53
Project Selection Criteria	53
Ozone Layer Depletion	62
Convention Guidance	63
Country Eligibility	64
Synergism	64
Country Program Preparation and Implementation	64
Short-Term Projects to Phase Out Ozone Depleting Substances	65
Acronyms	71

Foreword

The Global Environment Facility Council, established under the *Instrument for the Establishment of the Restructured GEF*, first met in July 1994. Since that time, the Council has worked diligently to approve policies and procedures to enable the GEF to fulfill its unique mission as a financial mechanism for activities aimed at protecting the global environment. One of the Council's major actions was the adoption of the GEF Operational Strategy.

When the GEF was restructured after its pilot phase and established as a permanent mechanism, it was essential to develop a road map to guide its actions and to ensure that its resources would be utilized cost effectively to maximize global environmental benefits. This operational strategy is such a road map. It is intended to provide a framework for programmatic cohesiveness and integration among the many entities that participate in the GEF, including the three Implementing Agencies (UNDP, UNEP and the World Bank), the Scientific and Technical Advisory Panel (STAP), the GEF Secretariat, and the international conventions for which the GEF provides operational support and funds for implementation.

The GEF was created to fulfill a unique niche - that of providing financing for programs and projects to achieve global environment benefits in four focal areas: biodiversity, climate change, international waters, and ozone layer depletion -- and in land degradation as it relates to these focal areas.

At the United Nations Conference on Environment and Development (UNCED) in Rio, two important conventions dealing with biodiversity conservation and climate change were signed, signaling a new era of environmental treaty making and partnership. These two conventions and the Montreal Protocol on Substances that Deplete the Ozone Layer recognize that while developing countries are not responsible for the majority of damage to the global environment, they could become major contributors in the near future. To secure the participation of developing countries in the implementation of these conventions, financial resources are to be made available by developed countries.

To this end, the GEF has emerged as both a facilitator and a funding mechanism for integrating global environment concerns into the development process and for realizing the goals of these global environmental conventions. Both the Biodiversity Convention and the Climate Change Convention have designated the GEF to serve as the financial mechanism of the convention on an interim basis. The relationship between the GEF and these two conventions is another example of the innovativeness of both the Facility and international treaty making for purposes of the global environment insofar as the relationship is designed to ensure a bridge between the goals and aspirations of treaty negotiations and the implementation of the commitments and objectives of such treaties.

In accordance with the provisions of the conventions and the GEF Instrument, the use of GEF resources for purposes of the conventions is to be in conformity with the policies, program priorities and eligibility criteria decided by the Conference of the Parties of each of those conventions. The Conference of the Parties (COP) to the Convention on Biological Diversity at its first meeting (Nassau, Bahamas, November 28-December 9, 1994), approved the policy, strategy, program priorities and eligibility criteria for access to, and utilization of, financial resources under the Convention's financial mechanism. Similarly the Conference of the Parties to the UN Framework Convention on Climate Change at its first meeting (Berlin, Germany, March 28-April 7, 1995) adopted initial guidance on policies, program priorities and eligibility criteria to be followed by the operating entity or entities of the financial mechanism. The guidance of both conventions has been fully reflected in the GEF operational strategy.

Although the GEF is not a financial mechanism for the Montreal Protocol, the operational strategy provides that the GEF operational policies concerning ozone layer depletion will be consistent with those of the Montreal Protocol and its amendments. For the international waters focal area, there are numerous relevant international treaties and conventions. These have also been fully taken into account in this strategy.

The operational strategy was prepared on the basis of consultations and preparatory work of the GEF Secretariat and the GEF Implementing Agencies. STAP also contributed to the preparation of the strategy. The secretariats of the international conventions were consulted so as to ensure that the

strategy fully integrates the guidance approved by their COPs. The GEF Secretariat also sponsored five regional consultations in Africa, Asia, Europe, Latin American and North America involving thinkers and practitioners in the environment and development fields which contributed to the development of the operational strategy. Finally, the operational strategy was reviewed and revised by the GEF Council during two of its meetings. The Council approved the strategy at its meeting in October 1995.

What's next? Consistent with the strategy, operational programs will be developed to provide strategic frameworks for the development of country-driven projects and coordination of GEF activities. The operational programs will be implemented through projects in recipient countries. Flexibility will be an integral element of implementing this strategy so that the GEF may respond to changing circumstances, and may learn from and be responsive to evolving scientific and technical knowledge, insights of countries, and guidance of the conventions. The conventions in particular are expected to provide on-going guidance concerning policies and program priorities. Monitoring and evaluation of GEF activities will make a particularly important contribution. The GEF's unique mission in the global environment requires it to develop programs and projects whose design, although scientifically based, may be more innovative and experimental than that of regular development projects, making it particularly important that activities be continuously tracked and results disseminated.

As the GEF moves forward in implementing this strategy, every effort will be made to strengthen its capacity as a mechanism promoting international cooperation for the purpose of achieving global environmental benefits within a framework of national sustainable development.

MOHAMED T. EL-ASHRY
CEO and Chairman

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.¹ 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).² 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.

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).³ 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 nonconfidential 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

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.⁴ *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.⁵
- Complement traditional development funding.
- Facilitate effective responses by other entities to address global environmental issues.
- Be environmentally, socially, and financially sustainable.
- 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."⁶ 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

