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PROGRAMMING APPROACH FOR UTILIZATION OF THE RESOURCES SET-ASIDE OUTSIDE THE STAR

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INTRODUCTION

1. While approving the System for a Transparent Allocation of Resources (STAR), the GEF Council, at its November 2009 meeting, agreed to an exclusion of 20% each in the focal areas of biodiversity, climate change, and land degradation to fund: (i) the incentive scheme for the Sustainable Forest Management (SFM) Program; and (ii) set-asides in each of the focal areas to finance basic reporting to the respective conventions and priority global and regional programs.

RESOURCES AVAILABLE FOR SET-ASIDES

2. The resources available for set-asides as indicated in **Table 1** are derived from the rules of the STAR approved by the Council. Column 2 contains the focal area allocations at the conclusion of the replenishment process. Column 3 contains 80 percent of these allocations in each focal area that are subject to the STAR. The remainder 20 percent are accounted for by columns 4 (contribution to sustainable forest management) and 5 (focal area set-aside).

Table 1: Resources Available for Set-asides
(millions of USD)

Focal Area	Focal Area Allocation (GEF-5)	Under STAR	Exclusion (20% of focal area allocation) outside STAR	
			Contribution to SFM	Focal Area Set-aside
Biodiversity	1210	968	130	112
Climate Change	1360	1088	100	172
Land Degradation	405	324	20	61
Total	2975	2,380	250	345

GENERAL CRITERIA FOR PROGRAMMING FOCAL AREA SET-ASIDES

3. The following sections outline the programming strategies for the focal areas of biodiversity, climate change, and land degradation. The indicative allocations for the various elements of programming are tentative, but it is important to note that given the low level of resources available for set-asides, the margins are tight.

4. The Secretariat has consulted with the GEF Agencies and STAP in preparing this document (refer to Annex 1 for input provided by STAP). In developing a strategy for programming the set-asides, the following general considerations have been taken into account:

- (a) Consistency with GEF-5 focal area strategies and objectives;
- (b) Support for countries for basic obligations to report to the conventions, (e.g., national communications, national reports);
- (c) Incentives for countries to utilize their STAR allocations while participating in priority regional and global programs;

- (d) Priority thematic programs in focal areas responsive to COP guidance; and
- (e) Responses to emerging COP guidance.

BIODIVERSITY FOCAL AREA SET-ASIDE PROGRAMMING STRATEGY

5. Consistent with the GEF-5 Biodiversity Strategy approved within the context of the fifth replenishment of the GEF, the \$112 million made available through the focal area set-aside in the biodiversity focal area will be programmed according to the following plan:

- (a) Countries will be able to access the focal area set-aside funds to implement enabling activities for an amount up to \$500,000 on an expedited basis. A total of \$40 million will be available for this support through objective five of the strategy. Enabling activity support could be provided for revising National Biodiversity Strategies and Action Plans (NBSAPs) in line with the new strategic plan of the Convention on Biological Diversity (CBD) to be adopted at COP-10, as well as national reporting and implementation of guidance related to the Clearing House Mechanism (CHM).
- (b) The biodiversity focal area will partner with the international waters focal area to program between \$20 and \$25 million from the focal area set-aside to initiate a global pilot program focused on the protection of marine biodiversity in —Areas Beyond National Jurisdiction (ABNJ). This investment will complement GEF's continued focus on increasing marine protected area coverage under national jurisdiction. About 50% of the Earth's surface is considered the high seas, or marine areas beyond national jurisdiction; these offshore areas harbor about 90% of the Earth's biomass and host a diversity of species and ecosystems, many of which are yet to be discovered. This proposed pilot is consistent with CBD COP Decision IX/20.
- (c) Unlike the IPCC, the science-policy interface for biodiversity and ecosystem services is fragmented inside and outside of the CBD, impeding an incremental policy process from occurring for the important problem of biodiversity loss and ecosystem degradation. To address this need, CBD COP9 agreed to explore the establishment of an Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES). The twenty-fifth session of the UNEP Governing Council/Global Ministerial Environmental Forum adopted Decision 25/10 on the intergovernmental science-policy platform on biodiversity and ecosystem services, which accords UNEP the mandate to continue to facilitate discussions on strengthening the science-policy interface on biodiversity and ecosystem services. Pending ongoing negotiations, supporting this and smaller related initiatives, such as a potential phase 2 of the International Commission on Land Use Change and Ecosystems, could be undertaken through a contribution from the focal area set-aside. It is envisioned that up to \$15 million could be dedicated to priority science-policy interfaces.
- (d) To assist eligible Parties in their preparations for the early entry into force of the Access and Benefit Sharing (ABS) Protocol and to build targeted capacity, the focal area set-aside may be used to support regional capacity building workshops,

awareness raising and outreach activities and engaging national level parliamentarians and legislators. Additional resources from the focal area set-aside will be used as a financial incentive to support ABS projects that are geared towards the development of specific ABS agreements between users and providers of genetic resources. By emphasizing on-the-ground results through these investments, the GEF will build capacity and provide additional stimulus for national ratification of the new protocol. These incentive funds will augment country biodiversity allocations dedicated to these projects. It is anticipated that up to \$5 million could be allocated for these purposes.

- (e) Approximately 32 million of the focal area set-aside will be used to address supra-national strategic priorities or to incentivize countries to make substantive changes in the state of biodiversity at the national level through participation in global, regional or multi-country projects, and in particular those projects contributing to the conservation of globally threatened species. This is consistent with CBD COP9-approved guidance to the financial mechanism. It is envisioned that some \$10-12 million may be programmed to address CBD guidance on the conservation of globally threatened species. All projects seeking incentive funds will meet some or all of the following criteria: (i) relevant to the objectives of the GEF's biodiversity strategy; (ii) supportive of new priorities identified by the COP of the CBD; (iii) highly likely that the project will have a broad and positive impact on biodiversity; (iv) potentially replicable; (v) having global demonstration value; and (vi) contributing to global conservation knowledge through formal experimental or quasi-experimental designs that test and evaluate the hypotheses embedded in project interventions. The incentive system will operate for regional projects whereby participating countries would receive resources from the focal area set-aside against resources committed to a project from their national STAR allocations.

CLIMATE CHANGE FOCAL AREA SET-ASIDE PROGRAMMING STRATEGY

6. Consistent with the GEF-5 Climate Change Strategy approved within the context of the fifth replenishment of the GEF, the National Communications and the focal area set-aside (FAS) of \$ 172 million in the climate change focal area will be programmed according to the following plan:

- (a) National Communications/TNAs: \$80 million. During GEF-5, the GEF will continue to support as a first priority non-Annex I Parties to prepare their national communications to the UNFCCC. Most non-Annex I Parties that did not receive support during GEF-4 will likely require financial support to prepare their third or fourth national communications to the UNFCCC. Countries will be able to access these funds to implement enabling activities for an amount up to \$500,000 on an expedited basis. The GEF will also continue to fund the preparation and updating of Technology Needs Assessments (TNAs), especially for countries that did not receive support for TNAs during GEF-4, in accordance with Convention guidance.

- (b) If the COP gives a mandate to the GEF, it may finance a new Technology Mechanism that would function at the global, regional, and national levels. At the global level, the GEF may establish a technology transfer coordination and networking function as part of its knowledge management function. At the regional level, technology transfer centers could be established in regional development banks and the IFC, which could mobilize investments to implement technologies. At the national level, any country that wishes to develop a national center with GEF support would be invited to do so by utilizing its respective national allocation under the STAR. \$42 million is the minimum required for global and regional Technology Mechanism activities.
- (c) In order to encourage countries to participate in global and regional projects and programs while maximizing the impact of limited focal area set-aside resources, regional and global projects and programs that pool country allocations may be incentivized with focal area set-aside resources in the order of \$20 million.
- (d) Also, up to \$10 million of focal area set-aside resources may be used to target areas and programs which will produce significant transformational impact of global environmental benefits on a global or regional scale, but which will have limited appeal to individual countries when they prioritize which projects to support with their country allocations. Targeted issues might include, for example, the sustainable management of peatlands, mitigation of black carbon, energy from algae, energy infrastructure, or smart urban design.
- (e) Finally, the GEF can play a useful and growing role in the emerging carbon markets. The GEF is uniquely positioned to expand its engagement in the carbon markets given its extensive network of partner institutions, its rich experience in financing clean energy and sustainable urban transport and in promoting the transfer of a broad range of environmentally sound technologies, as well as its strong track record in reducing GHG emissions cost-effectively from its investments. In fact, the GEF's early intervention in many cases has laid the foundation for carbon markets to function and subsequently replicate. Options to be explored to support carbon markets in GEF-5 include: (i) capacity building to help create enabling legal and regulatory environments; (ii) support of programmatic carbon finance and other activities under the post-2012 climate regime; (iii) demonstration of the technical and financial viabilities of different technologies; (iv) partial risk guarantees and contingent financing for carbon finance projects; and (v) co-financing of innovative projects, with credits to be retained in the recipient country for further project replication. GEF engagement in carbon finance activities will complement other programs and reforms in GEF-5. Up to \$20 million of FAS resources may be allocated to carbon finance activities.

LAND DEGRADATION FOCAL AREA SET-ASIDE PROGRAMMING STRATEGY

7. The total set-aside in the land degradation focal area (LDFA) is \$61 million. The basic rationale for these set-aside funds is the fact that some ambitious targets have been set out in the

LDFA strategy that will certainly not be met by country allocations alone. Therefore the incentive principle employed here seeks to emphasize upscaling and knowledge transfer to broaden GEF's catalytic role and maximize impacts of country-driven projects at portfolio level. It is also anticipated that the investments made on this basis will further enhance the importance of this focal area for both recipient and donor countries. The LDFA should thus be programmed according to the following plan:

- (a) Eligible countries will have direct access to \$150,000 each (total \$25 million) for enabling activities to support implementation of the UNCCD and 10-Year Strategy. Enabling activities funded under the focal area will focus on delivery of two major outputs reflected in the UNCCD 10-year Strategy as approved by the Conference of Parties (decision 3/COP.9). The first deals with the request of affected country Parties to align their National Action Programs (NAPs) with the operational and strategic objectives identified in the Strategy. The second is on reporting and monitoring by Parties (decisions 11/COP.9 - 13/COP.9), taking into consideration the outcome of the reporting in 2010. This should be based on the iterative process on provisionally adopted performance indicators that will be considered by COP 10. Finally, enabling activities should also as a matter of priority include provisions that will help affected country Parties to report against new impact indicators with the related reporting methodologies to be decided upon by the Committee on Science and Technology and COP 10.
- (b) An allocation of \$26 million will serve as an incentive for eligible countries to link nationally-developed projects on the basis of: (i) thematic issues that will deepen and reinforce the focal area agenda; and (ii) the potential for spatial and geographical integration at appropriate scales (including transboundary areas) for transformational impact. The GEF Secretariat will work with countries and Agencies based on pipelines emerging from National Portfolio Formulation Exercises (NPFs) and existing regional platforms to identify such opportunities. This component will also support the learning objectives of the focal area and at the same time enhance efforts of the countries on national projects.
- (c) There are a wide range of sustainable land management technologies and approaches that can be applied for large-scale impact if made accessible to land users. What is needed is a framework that offers a wide enough menu of customizable options for different countries to operate successfully at the local and national levels, while at the same time, generating benefits that are regional and perhaps global in scale. Having access to such a framework will be a cost-effective option, especially for countries with small allocations in the STAR to implement sustainable land management interventions, and/or in the context of GEF-led programs, such as the proposed Great Green Wall Initiative. With an allocation of \$10 million as an incentive, the GEF can provide catalytic support to countries to engage in knowledge sharing and transfer through south-south exchanges and practitioner for a at regional and global levels. Knowledge sharing and transfer will significantly leverage the GEF's catalytic role in the LDFA, and at the same time contribute to a stronger visibility for the UNCCD through the engagement of a broader stakeholder community involved in the implementation of LD projects.

CONCLUSION

8. The GEF Secretariat will collaborate through upstream consultation with recipient countries, GEF Agencies, and STAP to identify the best programming options for the focal area set-asides following the strategies outlined above.
9. The Secretariat will provide frequent reporting on the resource availability and programming of set-asides through the six-month programming report.

Scientific and Technical Advisory Panel

The Scientific and Technical Advisory Panel, administered by UNEP, advises the Global Environment Facility



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ADVICE ON OPERATIONALIZING GEF-5 FOCAL AREA SET-ASIDES

Proposal

For use of Focal Area Set-asides (FAS) in GEF-5, outside the allocations for SFM/REDD+, convention and other commitments, STAP proposes the following criteria for consideration. STAP's advice is based on strengthening GEF-5 in the areas of (1) innovative technologies and solutions, (2) cross-focal area and (3) cross-scale (especially trans-national) work.

A. Top level criteria which always have to be satisfied:

- Interventions consistent with GEF Strategic Goals, AND;
- That will deliver supra-national Global Environmental Benefits incremental to foundational national commitment to global environment benefits (GEBs) through the use of national STAR resources.

B. Subsidiary criteria, one or more of which should be satisfied subject to the top level criteria being satisfied

Trans-national criteria

- (1) Encouraging **strengthened and broadened cross-focal area and cross-scale activities**, e.g., resilience to climate variation and change, conserving marine biodiversity in ocean areas beyond national jurisdictions (ABNJ), reducing POPs water and land resources, and innovative sustainable land management, that will **deliver multiple GEBs and efficiencies** over conducting separate focal area activities on specific themes
- (2) **Targeted Research** that will:
 - a. **promote innovation** in the GEF portfolio
 - b. **address knowledge gaps constraining the design and implementation of GEF programs** and projects to deliver multiple GEBs, e.g., preventing and remediating hypoxia in the coastal zone, understanding the opportunities in 'blue carbon', coral reef conservation and management
 - c. **address situations/interventions that should be avoided**, e.g., due to the likelihood of unacceptable negative outcomes for GEBs, and
 - d. **bring faster and more efficient results** through building research capacity and sharing scarce research capacity **in GEF priority areas**.
- (3) **Innovative projects** and partnerships with global demonstration value and projects with **high likelihood for replication**
- (4) Contribute to global conservation knowledge through formal experimental or quasi-experimental designs that test and evaluate the hypotheses embedded in project interventions.

Country level criterion

- (1) Support for countries to develop **programmatic approaches** that address multiple focal areas and multiple GEBs, such as resilience to climate change and variability.
- (2) **Overcome constraints to country level investment in transformational activities**, e.g., in CC technologies, increasing capacity to apply adaptive management tools in SLM, etc.