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Agenda Item 14

## LEGAL, OPERATIONAL AND FINANCIAL IMPLICATIONS OF AN AMENDMENT OF THE GEF INSTRUMENT TO REFLECT THE DESIGNATION OF THE GEF AS A FINANCIAL MECHANISM OF THE UNCCD

### **Recommended Council Decision**

The Council, having reviewed document GEF/C.30/7, *Legal, Operational and Financial Implications of an Amendment to the GEF Instrument to Reflect the Designation of the GEF as a Financial Mechanism of the UNCCD*, agrees to recommend to the fourth GEF Assembly the following amendment to the *Instrument for the Establishment of the Restructured Global Environment Facility*:

A new paragraph should be inserted after paragraph 6 of the Instrument which reads as follows:

*The GEF shall operate as a financial mechanism of the UN Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, particularly in Africa (UNCCD), pursuant to article 20, paragraph 2(b), and article 21 of the Convention. The Council shall consider and approve arrangements to facilitate collaboration between the GEF and the UNCCD.*

Recognizing the operational and financial implications of the amendment as described in document GEF/C.30/7, the Council invites the GEF Secretariat and the GEF agencies to implement the amendment in good faith pending a formal adoption by the next Assembly.

## **INTRODUCTION**

1. At its Special Meeting of August 28, 2006, the Council requested the Secretariat to prepare for its consideration at the Council meeting in December 2006 a paper that analyzes the legal, operational and financial implications of an amendment to reflect in the Instrument the designation of the GEF as a financial mechanism of the UNCCD. The Council agreed that should it reach agreement on such a proposed amendment to the Instrument, it will implement the amendment in good faith pending a formal adoption by the next Assembly. The purpose of this paper is to respond to the Council's request.

2. The paper has three sections. The first section discusses the legal aspect of an amendment. Section two summarizes operational implications and provides an overview on how the GEF has responded so far to requests from the Conference of the Parties regarding collaboration with the GEF. In the final section, financial implications are presented focusing on GEF funding for activities relevant to the Convention.

3. The proposals put forth in this paper are fully supported by the Secretariats of the UNCCD and the GEF.

## **AMENDMENT OF THE GEF INSTRUMENT TO REFLECT THE DESIGNATION OF THE GEF AS A FINANCIAL MECHANISM**

### **Relevant provisions of the UNCCD**

4. The United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa, was adopted in Paris on June 17, 1994, and entered into force on December 26, 1996.

5. The UNCCD includes two articles on financial resources (article 20) and financial mechanisms (article 21). The full text of these articles is annexed to this paper.

6. In article 20(b), developed country Parties undertake to "promote the mobilization of adequate, timely and predictable financial resources, including new and additional funding from the GEF of the agreed incremental costs of those activities concerning desertification that relate to its four focal areas, in conformity with the relevant provisions of the Instrument establishing the GEF."

7. In article 21, the Conference of the Parties is called upon to promote the availability of financial mechanisms and to encourage such mechanisms to seek to maximize the availability of funding for affected developing country Parties, particularly those in Africa, to implement the Convention. To this end, the Conference of the Parties is to consider for adoption, inter alia, approaches and policies that promote multiple source funding approaches, mechanisms and arrangements and their assessment consistent with article 20.

8. Article 21 establishes a new Global Mechanism to promote actions leading to the mobilization and channeling of substantial financial resources, including for the transfer of

technology, on a grant basis, and/or on concessional or other terms, to affected developing country Parties. The Global Mechanism is to function under the authority and guidance of the Conference of the Parties and is accountable to it.

## **Decisions of the GEF with respect to UNCCD**

### *Second GEF Assembly*

9. At the Second GEF Assembly held in Beijing in 2002, Participants in the GEF agreed to include land degradation, primarily desertification and deforestation, as a new focal area of the GEF. The Assembly also confirmed “that the GEF shall be available as a financial mechanism of the UN Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa, pursuant to paragraph 21 of the Convention, if the Conference of the Parties should so decide. In this regard, the Assembly requests the Council to consider any such decision of the Conference of the Parties with a view to making the necessary arrangements.”

10. In order to give effect to these decisions, the Second GEF Assembly amended the Instrument for the Establishment of the Restructured GEF to include land degradation, primarily desertification and deforestation, as a new focal area<sup>1</sup> and to include as a function of the GEF Secretariat, coordination, on behalf of the Council, with the Secretariat of the UNCCD<sup>2</sup>.

### *Operational Program on Sustainable Land Management*

11. At its first meeting after the Assembly in May 2003, the GEF Council approved a new operational program on sustainable land management as a framework to operationalize the land degradation focal area. The operational program provides “a framework for the development of activities eligible for GEF incremental financing to address the root causes and negative impacts of land degradation on ecosystem stability, functions and services as well as on people’s livelihoods and economic well-being through sustainable land management practices. The document outlines, among other things, program objectives, expected outcomes, and activities eligible for GEF support.”

### *Decision calling for arrangements to facilitate collaboration between the GEF and the UNCCD*

12. In May 2003 the Council also requested the GEF Secretariat to discuss with the Secretariat of the UNCCD arrangements to facilitate collaboration between the GEF and the CCD, taking into account the proposed designation of the GEF as a financial mechanism of the UNCCD pursuant to Article 21 of the Convention.

## **Decisions of the Conference of the Parties to the UNCCD**

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<sup>1</sup> See paragraph 2 of the GEF Instrument as amended by the second GEF Assembly.

<sup>2</sup> See paragraph 21(f) of the GEF Instrument as amended by the second GEF Assembly.

13. At its sixth Conference of the Parties in August/September 2003, the UNCCD welcomed the GEF Operational Program on Sustainable Land Management and approved the following decision designating the GEF as a financial mechanism of the Convention and calling for the preparation of arrangements for establishing a working relationship with the GEF.

*The Conference of the Parties*

*Taking note* of the report by the secretariat as contained in document ICCD/CRIC(2)/6.

*Taking into consideration* the report of the first session of the Committee for the Review of the Implementation of the Convention in referring to issues Parties would wish to see addressed in the implementation of the Global Environment Facility (GEF) Operational Program on Sustainable Land Management.

*Designation of a financial mechanism*

- (i) *Welcomes* the decision by the World Summit on Sustainable Development in Johannesburg, South Africa, in August-September 2002, which, inter alia, recognized the complementary roles of the GEF and the Global Mechanism of the Convention in providing and mobilizing resources, and called on the Second GEF Assembly to consider making the GEF a financial mechanism of the Convention;
- (ii) *Welcomes* also the decision of the Second GEF Assembly in October 2002, in Beijing, China, declaring that the GEF should be available as a financial mechanism of the UNCCD in those countries experiencing serious drought and/or desertification, particularly in Africa, pursuant to article 21 of the Convention, if the Conference of the Parties should so decide;
- (iii) *Further welcomes* the decision of the GEF Council in May 2003 in Washington D.C., United States of America, establishing a new operational program on sustainable land management;
- (iv) *Decides* to accept the GEF as a financial mechanism of the UNCCD pursuant to article 20, paragraph 2(b), and article 21 of the Convention and in accordance with the GEF Instrument as amended;<sup>3</sup>

*Arrangements for establishing a working relationship with the Global Environment Facility*

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<sup>3</sup> Decision 6/COP.6, Report of the Conference of the Parties on its Sixth Session, held in Havana from 25 August to 5 September 2003 (document ICCD/COP(6)/11/Add.1)

- (v) *Welcomes* the decision by the GEF Council at its meeting in May 2003, requesting the GEF secretariat to discuss with the UNCCD secretariat the arrangements to facilitate collaboration between the GEF and the UNCCD;
- (vi) *Requests* the Executive Secretary, in collaboration with the Managing Director of the Global Mechanism, to consult with the Chief Executive Officer and Chairman of the GEF with a view to preparing and agreeing upon a Memorandum of Understanding on the arrangements called for in paragraph 5 above for consideration and adoption by the seventh session of the Conference of the Parties and Requests that such arrangements should be concluded between the secretariat and the GEF and elaborate on how the GEF should take into consideration policies, strategies and priorities agreed upon by the COP.”

### **Memorandum of Understanding between the UNCCD and the GEF**

14. As called for by the GEF Assembly, the GEF Council and the Conference of the Parties to the UNCCD, the Executive Secretary of the UNCCD and the CEO of the GEF, in collaboration with the Managing Director of the Global Mechanism, prepared a draft memorandum of understanding (MOU) on arrangements to facilitate and enhance collaboration between the GEF and the CCD.

15. The proposed Memorandum of Understanding (MOU) between the United Nations Convention to Combat Desertification and the Global Environment Facility, outlining arrangements to facilitate collaboration between the GEF and the UNCCD, was reviewed by the GEF Council at its June 2005 meeting. Council requested that the MOU be transmitted to the seventh session of the Conference of the Parties to the UNCCD for consideration and adoption by the COP.

16. The Conference of the Parties approved the proposed Memorandum of Understanding at COP-7 as submitted to it by the CEO<sup>4</sup>. The Council then approved the MOU at its meeting in June 2006, thereby bringing the MOU into effect.

17. The MOU recognizes that the coherence between the objective of the GEF Operational Program on Sustainable Land Management and the objective of the UNCCD is a basis for mutually beneficial collaboration and that such coherence will serve as a basic principle in developing policies, strategies, programs and projects for sustainable land management. The UNCCD Secretariat and the GEF Secretariat are to collaborate on substantive matters that the Conference of the Parties and the Council agree should be pursued to strengthen this coherence and collaboration between the UNCCD and the GEF.

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<sup>4</sup> Decision 6/COP.7, Report of the Conference of the Parties on its Seventh Session held in Nairobi from 17 to 28 October 2005 (document ICCF/COP(7)/16/Add.1.

18. Under the MOU, the GEF agrees that in formulating strategies, programs and projects for financing the agreed incremental costs of activities concerning desertification under its focal area of land degradation or through activities that combat desertification and mitigate the effects of drought in other focal areas, it will duly take into account the provisions of the UNCCD and the relevant decisions of its Conference of the Parties relating to policies, strategies and program priorities.

19. It is agreed in the MOU that the GEF will prepare a report for information to be submitted to each regular session of the Conference of the Parties through the UNCCD Secretariat on its strategies, programs and projects for financing the agreed incremental costs of activities concerning desertification. This report is to include:

- (a) information on discussions within the GEF Council on GEF strategies, programs and projects for financing the agreed incremental costs of activities concerning desertification;
- (b) a synthesis of projects approved by the Council during the reporting period concerning desertification with an indication of the GEF and other resources allocated to such projects;
- (c) a listing of projects approved by the Council concerning desertification, with an indication of the cumulative financial resources allocated in the GEF to such projects;
- (d) information on GEF's experience in integrating activities to address land degradation in other focal areas and synergies among the focal areas;
- (e) information on GEF replenishment agreements and the funding programmed for land degradation;
- (f) information on GEF monitoring and evaluation activities related to projects concerning desertification.

20. It is also agreed in the MOU that the UNCCD will prepare a report for information to be submitted to the GEF Council through the GEF Secretariat after each regular session of the Conference of the Parties, on the decisions taken by the Parties of relevance to the GEF. The report is to contain information on discussions within the Conference of the Parties on GEF activities for financing the agreed incremental costs of activities concerning desertification.

21. With respect to cooperation between Secretariats, the MOU specifies that:

- (a) the two Secretariats are to communicate and cooperate with each other and consult on a regular basis to promote incremental cost funding from the GEF to assist affected developing country parties to combat desertification and mitigate the effects of drought pursuant to Article 20(b) and Article 21 of the Convention;

- (b) the two Secretariats are to consult on proposed strategies, programs and projects concerning desertification, and on draft texts of documents relevant to the Convention and the GEF prior to issuing the texts of such documents for consideration by the Conference of the Parties or the Council; and
- (c) the UNCCD Secretariat is to be invited to comment on project proposals related to desertification under consideration for inclusion in a proposed work program, especially with regard to advising how such project proposals are consistent with the Convention and the decisions of the Conference of the Parties relating to policies, strategies and program priorities to combat desertification and mitigate the effects of drought.

22. With respect to cooperation with the Global Mechanism, the MOU provides that the GEF Secretariat is to be invited to participate as an observer in the Facilitation Committee meetings of the Global Mechanism. The GEF Secretariat is to inform the Facilitation Committee of project proposals concerning desertification that have entered the GEF pipeline with a view to assisting the Global Mechanism to identify opportunities to mobilize and channel co-financing resources for such proposed projects.

23. In the MOU, the GEF also agrees to provide the Conference of the Parties with the reports of the GEF Office of Monitoring and Evaluation relevant to GEF activities in the area of land degradation.

### **Proposed Amendment to the GEF Instrument**

24. In amending the Instrument in 2002, the GEF Assembly agreed to include the Stockholm Convention on Persistent Organic Pollutants (Stockholm Convention) in paragraph 6 of the Instrument, and to include coordination with the Secretariat of the UNCCD as a new function of the GEF Secretariat on behalf of the Council.

25. This different approach for the Stockholm Convention and the UNCCD recognized the difference in the obligations of the Parties to the two conventions with respect to the provision of financial resources through a financial mechanism or mechanisms.

26. The Conventions listed in paragraph 6 of the Instrument, the Convention on Biological Diversity (CBD), the UN Framework Convention on Climate Change (UNFCCC) and the Stockholm Convention, have similar legal provisions describing their relation to the convention's financial mechanism. Each Convention includes a provision establishing a financial mechanism for the provision of financial resources on a grant or concessional basis that is to function under the guidance of, and be accountable to, the Conference of the Parties which is to decide on its policies, program priorities and eligibility criteria.<sup>5</sup> Developed country Parties are to provide new and additional financial resources to enable developing country Parties to meet the agreed full incremental costs to them of implementing measures which fulfill the

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<sup>5</sup> CBD, Article 21, UNFCCC, Article 11, and Stockholm Convention, Article 13(6)

obligations of the Convention.<sup>6</sup> Paragraph 6 of the Instrument captures the role that the GEF is to play as the financial mechanism of each Convention.

27. As noted above, the UNCCD provides for a different structure. It establishes a Global Mechanism that is to function under the authority and guidance of the Conference of the Parties and is accountable to the COP. The mandate of the Global Mechanism is to promote actions leading to the mobilization and channeling of substantial financial resources, including for the transfer of technology, on a grant basis, and/or on concessional or other terms, to affected developing country Parties, in order to increase the effectiveness and efficiency of existing financial mechanisms. (Article 21(4)).

28. In addition to the Global Mechanism, the Convention provides that the Conference of the Parties is to promote the availability of financial mechanisms and is to encourage such mechanisms to seek to maximize the availability of funding for affected developed country Parties, particularly those in Africa, to implement the Convention. (Article 21(1)).

29. Furthermore, with respect to the GEF, developed country Parties undertake to promote the mobilization of adequate, timely and predictable financial resources, including new and additional funding from the Global Environment Facility of the agreed incremental costs of those activities concerning desertification that relate to its four focal areas, in conformity with the relevant provisions of the Instrument establishing the GEF. (Article 20(2.b)).

30. The Council has responded to decisions of the UNCCD and the second GEF Assembly by agreeing to serve as a financial mechanism of the UNCCD, by approving an operational program on sustainable land management that provides a programmatic framework in which to provide focused assistance to developing countries to maximize the availability of funding for affected developing country Parties to meet the agreed incremental costs of activities concerning desertification, and by approving the Memorandum of Understanding (MOU) between the United Nations Convention to Combat Desertification and the Global Environment Facility, outlining arrangements to facilitate collaboration between the GEF and the UNCCD.

31. Interest has been expressed in amending the GEF Instrument to capture this role of the GEF as a financial mechanism of the UNCCD. It is proposed that the relationship between the UNCCD and the GEF can best be reflected by amending the GEF Instrument to include a new paragraph that would read:

*The GEF shall operate as a financial mechanism of the UN Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, particularly in Africa (UNCCD), pursuant to article 20, paragraph 2(b), and article 21 of the Convention. The Council shall consider and approve arrangements to facilitate collaboration between the GEF and the UNCCD.*

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<sup>6</sup> CBE, Article 20(2), UNFCCC, Article 4(3), and Stockholm Convention, Article 13(2).

The new paragraph would be inserted after the existing paragraph 6, and the paragraphs that follow (those numbered 7 to 35 at present) would be renumbered.

32. Language for this proposed amendment closely reflects the Decision 6/COP.6 of the sixth session of the Conference of the Parties. It captures the decisions that the Conference of the Parties to the UNCCD and the Council have undertaken to designate the GEF as a financial mechanism of the Convention pursuant to articles 20 and 21 of the Convention and to approve a Memorandum of Understanding between the UNCCD and the GEF describing arrangements to ensure collaboration between the UNCCD and the GEF. Paragraphs 16 to 22 above describe how the two bodies will collaborate pursuant to the MOU. The MOU also provides that the provisions of the MOU may be amended by approval of the Conference of the Parties to the UNCCD and the GEF Council. This provides flexibility to the COP and the Council to amend the MOU, if necessary, to reflect evolution in the relationship between the UNCCD and the GEF.

33. The operational and financial implications of adopting such an amendment are considered below.

#### **OPERATIONAL IMPLICATIONS OF THE PROPOSED AMENDMENT**

34. The following describes how the GEF has addressed operational issues related to the UNCCD since land degradation was designated as a GEF focal area in 2002. It is expected that the proposed amendment to the Instrument would not have any significant implication for GEF operations in the area of land degradation, since the operational program on sustainable land management was developed taking into account the objectives of the UNCCD and the Council has acted to respond to relevant decisions if the Conference of the Parties.

#### **Operational Program on Sustainable Land Management**

35. The Land Degradation focal area is implemented through the operational program 15 (OP15) on Sustainable Land Management. The OP15 provides a framework for developing activities eligible for GEF incremental financing to address the root causes and negative impacts of land degradation on ecosystem stability, functions and services as well as on people's livelihoods and economic well-being through sustainable land management practices. The development and subsequent adoption of OP15 by the GEF Council is consistent with the decision 6/COP.6, paragraph 3 (ICCD/COP(6)/11/Add.1).

36. OP 15 focuses on three main production system (agriculture, forestry and livestock production) and their interactions and contributes to the full and effective achievement of the Convention objective. This specifically relates to applying "long-term strategies that focus simultaneously, in affected areas, on improved productivity of land, and the rehabilitation, conservation and sustainable management of land and water resources, leading to improved living conditions, in particular at the community level" (Article 2.2).

#### **Incremental Costs**

37. Consistent with the GEF Operational Strategy and pursuant to Article 20.2.b of the Convention, developed country Parties are “to promote the mobilization of ... financial resources, including new and additional funding from the Global Environment Facility of the agreed incremental costs of those activities concerning desertification...”.

38. GEF adheres to the principle of incrementality in financing projects in the land degradation focal area. In contrast to the other GEF focal areas, it is recognized, however, that in the context of sustainable land management (SLM), a strict division of activities leading to either global environmental or local livelihood benefits might be impossible and may be unrealistic. SLM interventions usually produce outcomes that create in the medium and long term both global environmental benefits related to enhanced ecosystem services and national/local benefits associated with improved livelihoods. SLM interventions supported under OP15 pursue land use options that minimize trade offs’ between local livelihood and global environmental benefits. Experience shows that for calculating the incremental costs, practical considerations of reasonable cost sharing can often assist in reaching an agreement for a specific project. As agreed by the GEF Council and supported by the Conference of the Parties at its seventh session, is the implementation of OP15. The process of determining incremental costs will be made more transparent and its application will be more pragmatic.

### National Reports and National Action Programs

39. The GEF Council has “recognized that in the framework of capacity building projects to be funded under the operational program, the elaboration of national action programs (NAP), sub-regional action programs (SRAP), regional action programs (RAP) and national reports are considered as components.”<sup>7</sup> This is recognized in COP decision 6/COP.7 paragraph 11 (ICCD/COP(7)/16/Add.1). So far, the GEF has supported the elaboration of national reports through the following projects:

Project Title	GEF IA/ExA	GEF Amount (in US\$ million)	Co-Financing (in US\$ million)
Supporting Capacity Building for the Elaboration of National Reports and Country Profiles by African Parties to the UNCCD	WB/IFAD	0.9	0.9
Supporting Capacity Building for the Third National Reporting to CRIC-5/COP-8 (Asia, Latin American and Central and Eastern European countries)	IFAD	0.64	0.51
Supporting Capacity Building for the Third National Reporting to CRIC-5/COP-8 (Asia and Pacific)	UNDP	0.51	0.45

40. In 2002, the UNCCD identified 47 LDC and SIDS countries that had not yet completed their national action programs to combat desertification as requested by Article 9 of the

<sup>7</sup> Joint Summary of the Chairs, GEF Council Meeting, May 14-16, 2003, Decision on Agenda Item 7 *Operational Program on Sustainable Land Management*

Convention. All targeted countries lacked general national capacities in environmental and relevant sectors, and awareness of the importance of the Convention as an instrument for sustainable development. The LDC and SIDS project “Targeted Portfolio Approach for Capacity Development and Mainstreaming of Sustainable Land Management” was designed by UNDP in close collaboration with the UNCCD Secretariat and the GEF Secretariat. The umbrella project supports the elaboration and finalization of national action programs in the context of wider capacity development for sustainable land management through individual MSPs. The GEF contributed US\$29 million and leveraged US\$30.95 million of co-financing from national and international sources.

41. The UNCCD has identified another 18 countries that have not yet finalized their NAPs, of which 14 are eligible for GEF funding: 4 African countries (Gabon, Egypt, Libya and Botswana), 1 country in the Middle East (Jordan), 1 country in Latin America (Uruguay) and 8 countries in Eastern Europe (Albania, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, FYR of Macedonia, Russia and Ukraine). If requested, these countries may request GEF support for finalizing their NAPs within the framework of the decision of the GEF Council Meeting of May 14-16, 2003.

### **Implementation of National, Regional and Sub-Regional Action Programs**

42. All proposals addressing land degradation in arid, semi-arid and sub-humid areas and submitted under the OP15 are required to meet country and/or regional priorities set in NAPs, SRAPs and/or RAPs or other national frameworks on desertification and deforestation. Many of these action programs are institutionally linked to environmental entities in national governments and remain isolated and under-funded. The GEF, therefore puts special emphasis on mainstreaming NAP priorities into relevant national sector policy and planning frameworks and encourages their harmonization to avoid land use conflicts.

43. In GEF-3, interventions in the Land Degradation focal area focused on targeted capacity development and the implementation of innovative and indigenous sustainable land management practices. These priorities resulted in a diverse portfolio of innovative proposals experimenting, for example with programmatic partnership approaches or market-based financing mechanisms (e.g. payment for environmental services). Apart from their technical soundness, proposals were evaluated against their fit with the priorities outlined in NAPs, RAPs and SRAPs when appropriate. An analysis of the GEF-3 portfolio resulted in the recommendation for GEF-4 to narrow the scope of interventions using the results of the Millennium Ecosystem Assessment, and the Desertification Synthesis in particular.

44. Decision 6/COP.7, paragraph 1 expressed the “appreciation to the GEF Council for its continued support for the implementation of the Convention and its focus on enhancing sustainable land management policies and initiatives”.

### **Strategy for GEF-4**

45. Consistent with the results of a GEF-3 portfolio analysis, the draft strategy for the land degradation focal area for GEF-4 focuses on three priority areas of action and four supporting strategic objectives. These priority areas of action and strategic objectives are fully consistent with Article 2 (Objective) and 3 (Principles) of the Convention and the call of the CoP for continued support for the implementation of the convention through GEF operations. The GEF-4 draft strategy also acknowledges Decision 6/COP.7, paragraph 8 which “invites ... the GEF...to facilitate NAP implementation...”.

46. The priority areas will address the three major direct drivers for terrestrial ecosystem degradation as identified by the Millennium Ecosystem Assessment: land use change, natural resources consumption; and technology use and adaptation. Another main driver, climate change, will be addressed through the Climate Change focal area and activities financed through the Least Developed Country Fund and the Special Climate Change Fund (managed by the GEF). For project proposals that will address land management issues in drought-prone areas, close collaboration will be sought with the Climate Change focal area.

47. The strategic objectives (SO) of the GEF-4 strategy are best suited to address the above priority areas of actions and take into account different challenges countries face in promoting SLM:

*SO - 1: Foster system-wide change through the removal of policy, institutional, technical, capacity and financial barriers to SLM focusing at the country level*

This objective responds to the needs expressed by countries to catalyze system-wide change through the removal of key barriers to SLM at the national level based on programmatic or sector-wide approaches.

*SO - 2: Demonstration and up-scaling successful SLM practices for the control and prevention of desertification and deforestation*

This objective will promote initiatives that create and expand visible impact on the status of natural resources by up-scaling and disseminating best practices and approaches in SLM.

*SO - 3: Generating and disseminating knowledge addressing current and emergent issues in SLM This objective is intended to:*

- (a) generate new knowledge that would help lift barriers to SLM, trigger innovation, and understand the underlying factors to successfully upscale SLM;
- (b) enhance knowledge sharing and scientific-technical cooperation for SLM.
- (c) through assessments, monitor at the global and regional levels the status and dynamics in land use and land cover change.

*SO - 4: Cross focal area synergies and integrated ecosystem approaches to SLM*

This objective will enhance the capture of global environmental benefits across the focal areas of the GEF – biodiversity, climate change, international waters, persistent organic pollutants and land degradation (desertification and deforestation) through integrated approaches to SLM.

#### **Indicators for Sustainable Land Management**

48. UNDP on behalf of the GEF Land Degradation focal area task force is continuing to pursue the approval of the MSP “Ensuring Impacts from SLM - Development of a Global Indicator System”. The MSP will develop global- and local-level indicators which, *inter alia* demonstrate global environmental benefits and related local livelihood benefits derived from actions combating land degradation. The project will be considered for GEF-4 funding. Strong collaboration has been started with the UNCCD/CST working group on benchmarks and indicators that will benefit greatly from the MSP.

49. Closely linked to the MSP are three studies the Land Degradation focal area task force, which includes the UNCCD Secretariat, has requested STAP to undertake on:

- (a) global impacts of land degradation
- (b) global environmental benefits from SLM applying the Millennium Ecosystem Assessment method
- (c) trade-offs between local livelihood and global environmental benefits

50. The studies were recently finalized and a synthesis report is in preparation to be presented by STAP to the GEF Council in December 2006. A more technical recommendation paper intended to start off a larger expert consultation process through the MSP, will be developed by one of the authors of the STAP studies.

51. The MSP and associated activities directly respond to decision 6/COP.7, paragraph 4 that “invites all Parties,..., to transmit to the secretariat ... suggestions on policy options and practical measures to monitor, on a regular basis, progress in the strategic areas of implementation with a view to outlining intermediary targets in a long-term perspective...” (ICCD/COP(7)/16/Add.1).

## **FINANCIAL IMPLICATIONS**

52. It is to be expected that the demand for GEF resources to support sustainable land management will grow, whether or not there is agreement on a proposed amendment of the GEF Instrument. Since land degradation was identified as a focal area of the GEF in 2002, GEF assistance has been used primarily to finance capacity development with special emphasis on assisting countries to finalize their NAPs and to mainstream NAP priorities into sector frameworks. As a result of this capacity building, countries are now seeking to make investments in actions identified in their national plans. This will inevitably increase the demand for funding from both national and international sources, including the GEF, for sustainable land management.

## **Funding Sources**

53. Article 20 of the Convention recognizes that there are diverse funding sources and resource mobilization strategies for the implementation of programs to combat desertification and mitigate the effects of drought. Paragraph 2b calls particularly on the GEF to provide new and additional funding to meet the agreed incremental costs of those activities concerning desertification. Paragraph 4 encourages the “full use and continued qualitative improvement of all national, bilateral and multilateral funding sources” in mobilizing financial resources.

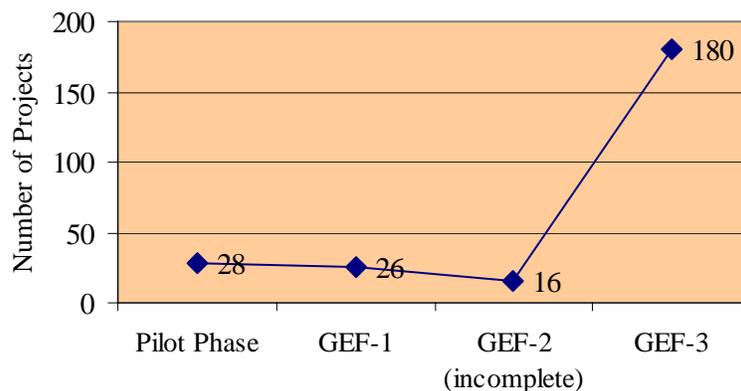
54. Article 21 (Financial Mechanism), paragraph 4 defines the role of the Global Mechanism (GM) as “to promote actions leading to the mobilization and channeling of substantial financial resources...to affected developing Parties”. Consistent with the GM’s Consolidated Strategy and Enhanced Approach endorsed by the UNCCD COP at its seventh session, the GEF will look to the GM to play an important role in providing specialized advisory services in up scaling financing for sustainable land management through: engagement of relevant institutions in strategic partnerships at appropriate level; collaboration with GEF agencies in instituting comprehensive national sustainable land management implementation processes that capitalize on high value-added synergies; and enhancement of the knowledge base on financing for sustainable land management as a means to influence national and international policy decision making.

### **GEF Funding for Activities related to Combating Land Degradation**

#### *Land Degradation as a Cross-cutting Issue*

55. Since its inception in 1991, the GEF has addressed land degradation as a cross-cutting issue in the focal areas biodiversity, international waters and climate change. A thorough analysis of the GEF Pilot Phase, GEF-1, GEF-2 and GEF-3 portfolios (1991-2006) was conducted and identified projects addressing land degradation as a threat to the global commons. Figure 1 suggests that, especially during the last GEF replenishment period, there has been an increased recognition of the impact of land degradation on the global environment.

**Figure 1: Trend Analysis - Projects with Land Degradation Linkage**



56. The GEF in its first decade between 1991 and 2000, invested a total of about US\$624.1 million in 80 projects with linkages to land degradation as a cross cutting issue. The specific allocation to land degradation activities, however, was estimated at only US\$50 million during this period. The analysis for GEF-3 (2002-2006) identified 180 projects with a linkage to combating land degradation. The specific GEF-3 allocation for activities related to land degradation in these projects is estimated at about US\$197.3 million. Additional US\$2697.3 million in co-financing was leveraged for these projects.

57. Table 1 provides an overview of the GEF-3 funding level for land degradation-related activities by geographic region. Most of these funds went to Africa (ca. 35%) and to Latin America and the Caribbean (ca. 28%).

**Table 1: GEF-3 Funding for Land Degradation Activities in GEF Focal Areas<sup>8</sup> by Geographic Region**

Geographic Region	Total GEF amount	Dedicated to LD activities	Total Co-financing
Africa	271.7	69.2	1026.7
Asia	120.6	27.3	353.3
ECA	113.4	27	323
LAC	218.8	54.9	880.2
Global	79.4	18.9	114.1
Total	803.9	197.3	2697.3

<sup>8</sup> Refers to funding invested in land degradation-related activities in the focal areas biodiversity, international waters, climate change, POPs, and the MFA/OP12 on Integrated Ecosystem Management.

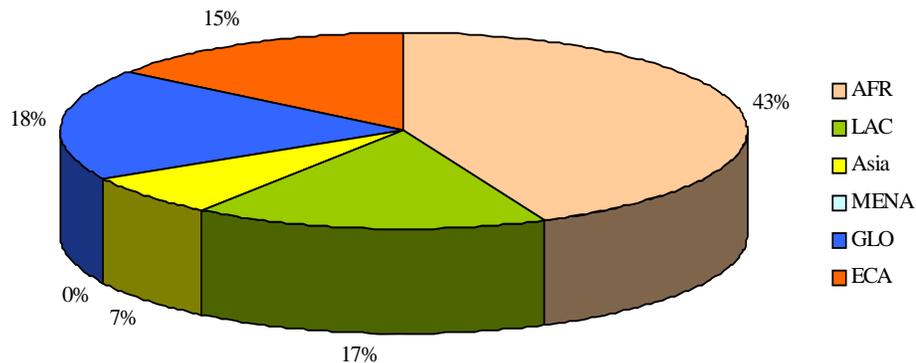
*The GEF Focal Area on Land Degradation (Desertification and Deforestation)*

58. In 2002, the Second GEF Assembly designated land degradation as a new focal area for GEF support with a primary focus on desertification and deforestation. This made sustainable land management a primary focus of GEF assistance, seeking to optimize GEF assistance to address land degradation in arid, semi-arid, sub-humid and humid areas of the world in a more consistent, systematic and integrated way.

59. In GEF-3, a total of 41 projects were approved under the Land Degradation focal area, of which 26 FSP and 15 MSP. A total of US\$ 241.2 millions in GEF incremental funding was approved by the GEF Council (for FSP) and CEO (for MSP). The GEF funds leveraged a total of US\$ 1082.5million from national and international sources. Therefore, with GEF support, worldwide more than US\$1.3 billion were invested in sustainable land management over the past 4 years.

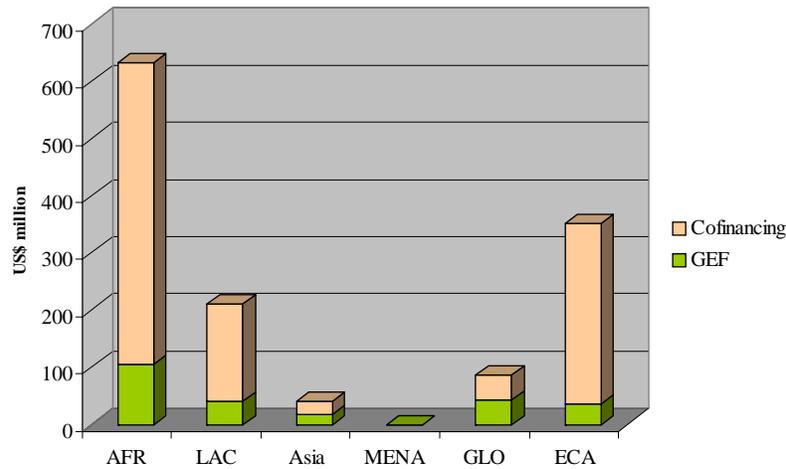
60. Figure 2 provides an overview of the distribution of GEF funding by region. 43% of the GEF funding in the Land Degradation focal area went to sub-Saharan Africa. Other regions such as Latin America and the Caribbean and Eastern Europe and Central Asia received less than 20 percent each of the GEF funds under OP15. Asia received only 7% and for the Mediterranean region and the Middle East, no proposals were financed during GEF-3.

**Figure 2: GEF-3 Funding by Region**



61. Figure 3 details the total investments for SLM with GEF support by region. The largest volume was invested in sub-Saharan Africa (US\$632.2 million). Projects in region of Eastern Europe and Central Asia show the best ratio of GEF to Co-financing - 1:8.9. For projects in Sub-Saharan Africa, the largest net volume of co-finances was leveraged.

**Figure 3: GEF-3 - Total Project Funding by Region**



62. The distribution of GEF funding in GEF-3 is consistent with the regional focus of the UNCCD on “countries experiencing serious drought and/or desertification, particularly in Africa”. The emphasis on the Africa region will be maintained in GEF-4.

63. The fourth replenishment has programmed US\$300 million as new and additional funds to the focal area on land degradation (desertification and deforestation). Consistent with the request of donors in GEF-3, another US\$250 million for land degradation activities is foreseen within the levels agreed for the other GEF focal areas.

64. The recently concluded fourth replenishment of the GEF Trust Fund constitutes a 20% increase in funding to the land degradation focal area. This increase is consistent with the growing demand for resources to implement investment activities to meet the Convention’s objectives, and it is likely that the demand for resources, as well as the ability of countries and agencies to effectively utilize such resources, will continue to grow. Therefore, it is anticipated that the allocation of resources for the land degradation focal area will need to be reviewed in future replenishments of the GEF Trust Fund.