



**Canada's Comments on Proposed Programming, Policy Reforms and STAR
for GEF-5**

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Cc: secretariat

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Dear Ms. Barbut,

As a follow-up to the June 25-26, 2009 meeting on the GEF-5 replenishment, I am pleased to submit detailed comments on behalf of the constituency of Canada on the proposed programming, policy reforms and STAR for the GEF-5.

Regards,

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Comments from the Canadian Constituency on Proposed Programming, Policy Reforms, and the STAR for GEF-5

Thank you for the opportunity to provide detailed comments on the draft documents addressing programming, policy, institutional and governance reforms, and the System for Transparent Allocation of Resources (STAR) for the Fifth Replenishment of the GEF. These comments supplement Canada's interventions on these subjects made at the Council and Replenishment discussions held in Washington from June 22-26, 2009.

GEF-5 System for Transparent Allocation of Resources (STAR)

Canada fully recognizes the need for a resource allocation framework within the GEF, given the competing demands for funding across countries and focal areas. Recognizing the unique mandate of the GEF, it is critical that a resource framework ensure that the principle of generating global environmental benefits is met.

Although we are open to further discussion, currently Canada has a preference for Option A, while recognizing under Option B the benefits of combining POPs and ODS into one window of chemical management, and utilizing a comprehensive natural resources/natural capital/ecosystems services approach. The interim evaluation of the RAF identified serious concerns about the current allocation metric, so there is limited merit in extending the RAF or STAR to other focal areas until these concerns are fully addressed. Any expansion of the STAR to the POPs focal area should involve extensive consultations with the relevant Bureaus, the Conference of the Parties, and the Secretariats; similarly, the relevant stakeholders for the UN Convention on Biodiversity and the UN Convention to Combat Desertification should also be consulted.

Under the STAR, it is important to ensure that there is an appropriate level of funding for each focal area established to allow developing countries to meet the objectives of each Convention for which the GEF serves as a financial mechanism, especially if contributors to the GEF-5 consider a system in support of a composite allocation per country.

Exclusions: Canada is in agreement that the group allocation system and the 50% rule will be eliminated for the GEF-5, and we also agree that enabling activities for each MEA, such as national communications, should be funded through exclusions. Furthermore, we agree that funding for the international waters focal area remains outside of the STAR.

During the March 2009 discussion about the proposed STAR, a number of countries, including Canada, requested additional justification for the Secretariat's proposal to increase global and regional exclusions from 15% under GEF-4 to 20% under GEF-5. Unfortunately, in response, the revised documents prepared by the Secretariat for the June 2009 meetings propose exclusions between 32.5% and 37% for the various funding scenarios, and do not provide adequate justification for these increases, especially given the previous concern raised by contributors. Therefore, in further revisions of the

document, we would welcome more realistic exclusions in the 20% range, duly explained and justified.

Indicators: On indicators, although it has been proposed to add a vulnerability factor to the Global Performance Indicator (GPI) calculation, the impact on the resource allocation system is unclear and we would appreciate further clarification. We are uncertain that using the MDG-7 as a proxy for determining a country's commitment to environmental policy is sufficient.

Additional work is needed on the GBI indicator proposed for the Chemicals focal area and land degradation.

Further improvements to the Biodiversity GBI are welcomed, based on the continued work of the STAP. This work is needed in order to measure countries' efforts to reduce loss of biodiversity. Canada supports the GEF's efforts to work towards a more complete measure of biodiversity by using a combination of threatened species measure, the IUCN Red List data, combined with an ecosystem component.

Country Eligibility: We are also interested in further analysis on country eligibility for GEF funding, taking into consideration the list of active and inactive countries, UN Sanctions and country status relevant to the various conventions and the GEF Instrument.

GEF-5 Programming Document

PAs: Canada does support the proposed shift to Programmatic Approaches (PAs), rather than focus only on projects.

National Plans: With regard to the Secretariat's proposal to develop a National Plan for Generating Global Environmental Benefits as a guide to seeking GEF support in developing countries, Canada agrees it is important to support initiatives that foster country ownership and to encourage coordination between various stakeholders in-country, as well as within regions. Although we were initially concerned that this effort would duplicate the plans/reports required under the various MEAs, and that this could marginalize environmental initiatives outside of the national development planning process (such as PRSPs or UNDAFs), following the discussion at the June 2009 meeting, we now appreciate the need for a 'business plan' that would identify a country's priorities for funding under the GEF. We trust that this document would be concise, comprehensive and would enable countries to point to the priorities already identified in plans/reports relevant for the Conventions and their subsequent instruments. It would be useful to consider how the business plan would relate to programmatic approaches, as well as the identification of synergies between these planning processes. The plan should also be iterative and allow countries to identify new priorities as they emerge. For example, under the climate change focal area, developing countries may start identifying nationally appropriate mitigation actions (NAMAs) as priorities for funding as part of a Copenhagen climate change agreement.

Forestry: On the proposed Sustainable Forest Management Program (SFMP), while Canada recognizes the important role of forests in creating and maintaining ecosystems, we have several concerns about this proposal: there is no convention on forestry, unlike other focal areas under the GEF; the benefits proposed under a SFMP could be addressed through support to the land degradation, biodiversity and climate change focal areas, given that the GEF serves as a financial mechanism for the MEAs; and it is unclear how this option is linked to Objective 5 of the climate change strategy (which addresses LULUCF and forest management), as well as objectives under the biodiversity focal areas. We are not convinced that establishing a SFMP would make the GEF more efficient and effective.

Land Degradation: Given the important links between land degradation and poverty, we have noticed that inadequate attention has been paid to this issue in the programming document, and would request that this is addressed in future drafts. Land degradation is considered in national planning processes under the UNCCD and NAPAs, and an improved focus on this subject could enhance identification of synergies between these processes in a programmatic way.

Chemicals: Canada is supportive of establishing a broader Chemicals focal area, as it will motivate further synergistic work in this field. However, we caution that if more work were to be done on mercury and hazardous waste, this would be dependent upon a sizeable replenishment. Proposed activities should first and foremost focus on strict compliance with the Stockholm Convention and the Montreal Protocol.

On the Chemicals focal area (linked to the CC focal area), the GEF should further analyze the feasibility of funding the destruction of Ozone-Depleting Substances (ODS), perhaps under its Objective 4. This activity is not strictly eligible for Multilateral Fund (MLF) funding, but could represent an extremely cost-effective way to reduce GHG emissions, and be integrated within the disposal of other chemicals. Therefore, in light of the Montreal Protocol Parties decision XX/7, inviting the GEF to consider action in this area, the GEF could fund ODS destruction projects that benefit all GEF recipient countries, if feasible; under GEF-5, activities should be limited to demonstration projects, or where there are opportunities for achieving synergies with actions to dispose of POPs or other chemicals.

We also note that the programming document does not mention the issue of cost effective and environmentally-friendly alternatives in Objective 1, and would recommend that this be added to the results framework for chemicals. On Objective 2, the document suggests providing funding to manage ODS which are not controlled by the Montreal Protocol, such as ODS used as feedstock. As these are outside of the Montreal Protocol, we would not be in favor of the GEF controlling these ODS uses unless there is a clearer rationale and justification for doing so.

With respect to the proposed distribution of resources within the Chemicals envelope, we note that funding for Objective 1 could be increased (up to 25%), while funding for Objective 2 and 3 could decrease (to 20%).

It should also be noted that capacity building is embedded within the objectives for this results framework, whereas capacity building is a separate item for some of the other focal areas. Is there a reason why?

Climate Change: Under the climate change strategy, reference is made to Technology Needs Assessments (TNAs) in objective #6. However, more effort could be made to link and integrate the TNA tool as appropriate to the other programming objectives under the climate change focal area. Given that TNAs are also a central element of the Poznan strategic program on technology transfer, it is key that linkages are made between planning documents and implementation of technology activities through the GEF and its implementing agencies. In the current Programming document, the enabling activities window does not have a clear link to the other program objectives or ensure that projects/programs address the needs identified by the recipient country.

With regard to the proposal that 10% of the replenishment would be set-aside for the LDCF/SCCF under Scenario B and C, Canada recognizes the need for adequate and predictable resources to address adaptation needs, and that contributions to the fund are voluntary in nature; we also recognize the transitional nature of these two funds, pending agreement on longer-term financial architecture for climate change. Canada has been vocal with regard to the importance of giving priority support to those most vulnerable to the adverse effects of climate change, and has also promoted the development of NAPAs, both of which are central to the LDCF mandate. It would be prudent to review the evaluation of the two funds currently underway, and we look forward to the results of the evaluation at the November 2009 Council meeting.

Non-grant Resources: Although details are limited, the Secretariat is also proposing that additional resources (\$170 M identified for the \$10 B scenario) be made available to countries that choose to employ non-grant resources in any of the focal areas. It is unclear how the allocation of this 'transformational fund' would be determined, and additional information is needed.

The significant increase to the Earth Fund (\$100 M under the \$5 B scenario and \$500 M under the \$10 B scenario) is not sufficiently justified, as there has not been an evaluation of the Earth Fund undertaken to date. What are the results achieved to date that would warrant such an increase? Canada is also concerned about the lack of transparency with regard to the current management of the Earth Fund, such as inadequate information made available by the Secretariat on the composition of the Earth Fund Board and procedures to nominate Board members without adequate consultation with the GEF Council, and will require additional justification to consider this proposal further.

RBM: The Results Based Management Framework that aims to link the focal areas and corporate program objectives to four strategic corporate goals of the GEF is quite weak and will require substantial revision.

Capacity Development: As part of a revised approach to Corporate Programs, the Secretariat proposes to develop a GEF project management curriculum in collaboration with local/regional universities in recipient countries. While support for capacity

development initiatives is important, Canada would not support a focus on this proposed program, as it is outside the GEF mandate, and emphasis should be placed on institutional strengthening, rather than on individuals.

Institutional, Governance and Policy Reform

Direct Access: Canada does not feel that the issue of direct access is a priority for the GEF-5 replenishment, although we may wish to revisit the issue for future GEF replenishments. Rather, we prefer to evaluate the results of the work of the Adaptation Fund, once it becomes operational. A stronger case needs to be made to justify why more implementing channels are needed for GEF projects and how this will make MEA compliance and the achievement of GEBs more efficient and effective. We are concerned that scarce GEF resources would be required to assist national entities to prepare and develop the capacity to undertake this role, and note that the Implementing and Executing Agencies already support this function.

Independent Legal Entity: Canada is not convinced that developing a separate legal entity separate from the World Bank as the Trustee is a priority for GEF-5. We question whether the Secretariat has the expertise required to undertake the proposed list of tasks in paragraph 88 of the GEF/R.5/15, or whether these are appropriate roles for the Secretariat. We are not supportive of the Secretariat focusing further on this issue as the replenishment discussion progresses.

Relations Between the GEF and the Agencies: On the proposal to expand the number of Agencies within the GEF network, specifically to include the WHO, WFP and UNESCO, we note that the OPS3 concluded that the GEF as a network organization was reaching its limits with ten Agencies. There is nothing to prevent these organizations from working with existing Agencies under sub-contract. The comparative advantages of the existing Agencies should be further developed, and cooperation between the Agencies promoted. Therefore, we are cautious that more agencies should be added, although we are open further discussion. The need to resolve the tension in the relationships between the Agencies and the Secretariat, and the need to streamline the project cycle to increase the speed of planning and approval, are paramount for the GEF to operate smoothly and efficiently. Furthermore, we need to ensure that expanding the number of Agencies would strengthen the GEF's ability to focus on Global Environmental Benefits. We look forward to the analysis of OPS4 in this regard. We are supportive of the recommendation for Council involvement in the project cycle only at the PIF stage.

Two Tier Governance: The document also proposes that a two-tier governance system be established to ensure greater engagement with the Conventions. Canada believes that further work should be done to develop this suggestion, as simply inviting representatives from the MEAs to participate in a GEF Council will not resolve outstanding issues between the COPs and the GEF. Efficient, focused Focal area boards could provide a much-needed service on specific focal area issues such as programming, GBI calculations, further defining of eligible incremental costs with MEA COPs.

Canada would like the GEF to articulate the outstanding gaps in engagement with Conventions and their Secretariats that GEF has identified for improvement, including common weaknesses across Conventions and any issues specific to a particular Convention. This information would provide more depth to the discussion of effective process of engagement with the Conventions.

UNEP: A special role for UNEP is proposed that plays on UNEP's role in scientific and technical analysis, linking science to policy, and global/regional policy and outreach, among others. Canada is supportive in principle, as this responds to current work being carried out within the UN system on how to further improve international environmental governance and the role of UNEP, but we would not be agreeable to limiting UNEP's role to the functions outlined in the document.

Innovative & Alternative Funding Mechanisms: Since the March 2009 meeting, the document has not evolved further to provide additional information on earmarking resources outside of the replenishment process, or consider innovative and alternative mechanisms to increase resources for the GEF outside of donor contributions. Given our preference that public support for climate change mitigation should lever private investments and focus on areas that cannot be adequately financed through the market, Canada requests that the work begun in this context be built upon in order to further explore potential connections between GEF support and private financing and carbon markets.

Once again, we appreciate the opportunity for Canada to submit detailed comments on the STAR, GEF-5 programming and policy reforms.

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