

Comments from the United States on June 2009 Draft GEF-5 Programming Document and Draft GEF-5 Focal Area Strategies

Please find below comments from the United States concerning two of the papers presented at the second session of the GEF-5 replenishment meetings, held in June:

- Draft GEF-5 Programming Document (GEF/R.5/14); and
- Draft GEF-5 Focal Area Strategies (GEF/R.5/Inf.3).

The comments below pertain mostly to the recommended programming priorities in each focal area. The United States intends to provide additional written comments on GEF policy reform issues, the System for Transparent Allocation of Resources (STAR), private sector engagement, and results measurement and learning at a later date. We do, however, note some priority issues regarding the STAR in different focal areas.

Introductory Comments

The United States thanks the Secretariat and Technical Advisory Groups (TAGs) for the significant effort made in preparing the draft documents. With a view towards future revisions, we offer the following general comments:

- We recommend that more care be taken to avoid overlap and duplication between the programming paper and the policy reform paper, with the set of policy reform issues (e.g. national strategies, country steering committees, direct access) dealt with in the separate paper on policy reforms. As such, we will comment extensively on these issues in this paper.
- For focal areas under the STAR (where resources are programmed to countries – biodiversity, climate change, etc.), we do not believe it is feasible to include indicative financial allocations per objective under each focal areas (e.g. 50% of focal area resource envelope for protected areas). It will be too difficult to manage the portfolio so as to ensure that these objectives are met. Under the STAR, countries and agencies will program resources to meet country objectives in terms of generating global environmental benefits under the Conventions.
- The GEF will need to demonstrate more clearly that it has the capacity to manage a tripling of resources before it would be appropriate to consider such an allocation. We will also need to see a better justification of the proposed shifts from the GEF-4 percentage allocations.
- We encourage the Secretariat to facilitate input from the agencies and other partners to the TAGs on the focal area strategies.
- The Secretariat proposed larger global/regional exclusions (GRE). We think some caution is needed here. First, this reduces the amount of resources for country allocations, and several recipient countries noted concern that, comparatively, their allocations were decreasing. It should be noted that a significant part of the reason for this is the larger GREs. Secondly, we will only be able to support a higher GRE if clearer rules and procedures for GRE allocation/prioritization are agreed. We would not want to see GRE funding allocated based on

decisions made solely by the Secretariat or based on closed-door discussions with particular agencies.

- One solution might be to develop clear strategies for use of GRE-funding per focal area, including indicative allocations to particular focal area programs. For example, for chemicals, there might be a focal area program for sound chemicals management (besides ozone and POPs), including mercury. In biodiversity, there might be a migratory species program. (See below).
- Overall, further work is also needed to build on cross-focal area synergies and linkages. For example, climate change adaptation could be one theme to better tie together work in the natural resource areas – biodiversity, international waters, land degradation, and forests and make them complementary. (We agree with comments from STAP on this issue).
- There are also important linkages that can be made between the climate (mitigation) and chemicals areas. There are opportunities to fund the destruction of climate forcing chemicals through the climate focal area and possibly to advance the climate agenda through work on mercury.

In the next draft of the programming paper, please include a clearer table of the proposed resource envelopes, including the various set asides and exclusions, such as the amounts allocated for the small grant program and the sustainable forest management fund.

Climate Change (Mitigation)

Given negotiations leading up to the Copenhagen summit, setting programming priorities for climate change is somewhat difficult. GEF-5 is indeed a “bridge period” in that the groundwork will be laid for a broader and more ambitious set of mitigation and adaptation activities beyond 2012. During this period, the GEF can play a special role supporting the considerable capacity-building activities that will be undertaken as countries expand their climate-related activities. Although the post-2012 financial framework remains uncertain, we would like to offer the following comments:

- We believe that the GEF has shown the clearest impacts in supporting capacity building and technical assistance, including supporting legal and regulatory reform, development of standards, etc. We would support moving objective 6 to the top of the list of objectives since the GEF’s work in this area is likely to grow substantially. We will also need to work on description of its role on standards.
- There are likely to be at least two significant areas for additional capacity building in the future – support for development of strategies for “nationally appropriate mitigation actions” and establishment of monitoring, reporting, and verification systems. We believe the GEF’s engagement on these issues will require enhanced resources.
- We agree that the GEF will need to help countries build capacity so they are able to better access carbon market flows. The GEF should also consider what role it might be able to play to backstop key features of the emergence of domestic and international carbon markets.
- We recommend removing the first objective related to advanced technologies. GEF moved away from this objective in GEF-4. We believe this section’s assessment of the GEF’s performance on advanced technologies is more positive than is warranted, and making

substantial headway on this objective will require far greater resources than the GEF is likely to have.

- We would strongly support adding an objective within climate on the destruction or replacement of ODS and other chemicals with climate forcing properties.
- In terms of strategy, the GEF might wish to pursue support for specific sectoral issues at the national and regional levels through programmatic approaches to address the removal of barriers.
- With regard to the STAR, we believe that the index for the global benefits indicator for climate should include countries' emissions from land-use, land-use change, and forestry as well as from industry and energy.

Biodiversity

- We welcome the indication (in paragraphs 12 and 16) that marine ecosystems will receive increased attention and representation in GEF financing.
- We believe greater attention to integrating climate resiliency concerns is needed in the focal area strategy and programming paper. This will be important for protected areas as well as landscape conservation approaches.
- It would be useful to further clarify the objective on mainstreaming. Will this mostly focus on landscape management? How will economic sectors be dealt with?
- Within mainstreaming, we would support devising new interventions that would promote the provision of ecosystem services from production landscapes.
- We would strongly support inclusion in this focal area of an objective related to species conservation, which could include a focus on protection of endangered species, including improving national capacity to combat trade in endangered species, and conservation of migratory species. Species conservation is a clear gap within GEF programming as it does not fit completely within protected areas or mainstreaming. It is also something that is quite readily tied to global environmental benefits, and there is a clear need for such funding internationally.
- We are intrigued by the suggestions made (in paragraphs 48 and 49) about allocating GRE funding to specific programmatic approaches. We should clarify how these would need to link with the overall objectives, but it is something worth examining. It might be one way to begin a program or programs on endangered species and migratory species.
- We do not believe that the proposed outcome for objective 3: "potential risks posed to biodiversity from living modified organisms are avoided or mitigated" is appropriate because it is not measurable. A more appropriate outcome, and one that is within the GEF's remit, would be "implementation of national science based regulatory frameworks that are able to accurately assess the risks associated with the trans-boundary movement of LMOs.
- We are unsure whether the proposed objective 4 will generate sufficient global environmental benefits to warrant substantial funding. Access-and-benefits sharing is currently under negotiation and might not be amenable to GEF projects at this time.
- We would like clarification about the activities proposed under 'Produce Biodiversity-friendly Goods and Services'. We would support the GEF's involvement in generating data on the impacts of conservation incentives programs and following the evidence base of such approaches.

- However we would question GEF support in developing certification standards programs or developing standards. There are numerous other international bodies involved and expert in the development of needed standards. Further clarification will be needed as to how GEF would avoid duplication of these efforts.

International Waters

- We would support greater focus on climate resiliency of transboundary water basins, as long as the focus remains on providing regional and/or global benefits.
- We recommend greater clarification of the objectives in this focal area. Objective one is really part of the other objectives since foundational capacity is part of achieving results.
- Overall we think the objectives could be made clearer. One way would be to have three objectives (rather than four) that are divided along the lines of (1) sustainable fisheries & large marine ecosystems (including climate adaptation); (2) transboundary ground water management (including adaptation); (3) and transboundary freshwater management (including adaptation).
- For LMEs, ocean acidification is a major arising concern for LMEs. Is there anything that the GEF might be able to do to help with adaptation to this significant problem?
- Areas beyond national jurisdictions (ABNJ): We are unsure how the GEF would achieve some of the outcomes mentioned in this section. For fisheries, we can support reducing impact of fisheries on high seas so long as focus is on national fisheries and not asserting jurisdiction over high seas areas.
- We support the intent to work on persistent toxic substances, but we think it would be cleanest to include this under chemicals rather than splitting it up.

Land Degradation

- We believe an important objective for this focal area should be to help vulnerable countries to build capacity in terms of adapting land management policies and practices to the expected impacts of climate change.
- Given the GEF's role as a financial mechanism of the UN Convention to Combat Desertification, we are concerned that there is not sufficient attention to dry land ecosystems.
- As noted below, we support the proposed incentive mechanism for forests and support providing land degradation funding to the sound forest management/LULUCF program. We can support this as the mechanism for providing some LD resources to countries with predominantly humid and temperate forests.
- We believe this focal area's top priority should be on combating desertification and land degradation in arid, semi-arid, and sub-humid lands. Funding for national allocations should be prioritized for priority countries under the UN Convention to Combat Desertification (UNCCD)
- To ensure this focus, we will need to carefully review the proposed global benefit indicators (GBI) for this focal area with a view to ensuring that they prioritize resources to primarily countries with significant arid, semi-arid, and sub-humid regions and ecosystems that are suffering from or at risk from desertification.

- We would also support an outcome of improved spatial planning that would help to identify lands susceptible to land degradation to help inform land management practice and land-use decision making
- We believe that there should be more emphasis on capacity building and adaptive management tools.

Chemicals

In considering priorities for this focal area, the United States believes it is important to bear in mind three things:

- the GEF's mission is to fund projects with global environmental benefits;
- the GEF serves as the financial mechanism for the Stockholm Convention, and
- it works in two clear focal areas: persistent organic pollutants (POPs) and ozone depleting substances (ODS).

We believe it is critical that the GEF retains its focus on global environmental benefits, particularly in the areas of POPs and ODS. We believe that paragraph 3 of the instrument provides flexibility to be able to fund some sound chemicals management activities and mercury activities, but we would not support changing the Instrument to create a new single chemicals focal area.

We believe the strategy should draw a much clearer distinction between two different types of work: (1) support of Stockholm (POPs) and Ozone Conventions, and (2) general support of sound chemicals management including mercury, which we refer to as Sound Chemicals Management (SCM). We can support finding ways to fund global benefits of SCM through the GEF, but there are several difficulties in terms of ensuring this is done in a manner that does not detract from fulfilling the GEF's obligation to provide adequate support for the Conventions.

The Stockholm convention faces significantly increased demand as it transitions from enabling activities into full implementation mode, and because nine new chemicals were added in May 2009, nearly doubling its scope. We will only be able to support specific funding if there is increased funding to meet the significantly expanded needs under existing Convention commitments.

We do not believe the current chemicals strategy is structured in a way that will ensure that priority is placed on POPs and ODS. There is a significant risk that funding would simply be allocated to chemicals writ large, regardless of the degree of global environmental benefits. We will not be able to support a general chemicals management area that had unlimited access to funding for SCM at the expense of POPs and ozone.

We believe it would be appropriate that roughly 90% of GEF chemicals resources are allocated to the Conventions (POPs and ozone) and no more than 10% to SCM, including important mercury-related activities. Within a system of national allocations (e.g. the STAR), the most straightforward way to accomplish this would be (1) to restrict the use of national allocation funding for POPs and ozone activities; and (2) to set a designated portion (equivalent to 10% of

total chemicals funding) of the global-regional exclusion/set-aside to fund a specific program for sound chemicals management, including mercury. Any remaining GRE resources could support regional Stockholm and ozone projects.

We believe that the objectives in the chemicals section are overly broad and need clearer definition. While we can support a life-cycle approach, as written, the objectives are too general and provide little to no control as to how money will be spent among various conventions and initiatives (i.e. POPs, Ozone, SCM) and appear to reflect SCM approaches rather than being responsive to obligations in the Conventions. We believe these objectives should be redrafted as follows:

- Objective 1 – Implementation of the Stockholm Convention on POPs (85-90%) [\$510m]
 - Expected Outcomes
 - Short Term - Build country capacity to phase out or minimize risk of controlled chemicals, and reduce or prevent releases of POPs.
 - Long-Term – Controlled chemicals phased out, risks minimized, and releases minimized or eliminated in a sustainable manner.
 - Core Outputs –
 - NIPs prepared or updated to reflect addition of new chemicals
 - Countries meet annual reporting obligations under Article 15.
 - Byproduct (e.g. dioxins/furans) or other management plans (e.g. DDT, PCBs) developed
 - POPs phased out from use (tons/yr)
 - Sound management implemented for pesticides or industrial chemicals (e.g. PCB electrical equipment)
 - BAT/BEP demonstrated for priority emissions sectors
 - Sustainable reduction of byproduct releases of POPs achieved (tons/yr)

- Objective 2 – Ozone Protection for CEITs (5-10%) [\$40m]
 - Expected Outcomes
 - Short Term – Build capacity to phase out production and consumption of certain ozone depleting substances
 - Long-Term – Controlled substances phased out in accordance with compliance schedules identified under the Montreal Protocol
 - Core Outputs –
 - Countries meet annual reporting obligations
 - Compliance obligations for phase-out of ODS under the Protocol are met
 - ODS consumption and production phased out (tons)

- Objective 3 – Sound Chemicals Management (SCM) (5-10%) [\$50m]
 - Expected Outcomes –

- Short Term – Build capacity for countries to more effectively manage chemicals of global concern.
- Long Term – Countries put in place policies, programs, legislation, or regulations that reduce releases or more effectively manage risk from chemicals of global concern.
- Core Outputs –
 - National legislation, policies, programs, or strategies put in place to facilitate SCM
 - Regulations developed to support SCM
 - Releases of chemicals (non POPs and ODS) of global concern reduced (tons/yr to air, water, or land)
 - Releases of mercury reduced (tons/yr)

Sound Forest Management and LULUCF Program

We can support the proposal for a SFM/LULUCF program for GEF-5, although we will need to further consider the amount of funding allocated to the proposed incentive mechanism. We do question, however, the wisdom of allocating international waters funding for this forest program. We understand the linkages with international watersheds, but question whether these are strong enough to warrant allocation of funds from IW to this incentive mechanism.

- We would like to see an explicit focus on improving forest governance and forest law enforcement as a sub-objective or outcome for this program.
- We appreciate the focus on MRV, but we would support broadening it to include monitoring of improvements of governance, land tenure and other aspects of sound forest management, rather than just carbon.
- Please describe more explicitly how the SFM financing mechanism will be funded – how much from each focal area in percentage terms and absolute amounts. Also, how will this link up with funding from biodiversity and land degradation?

Private Sector (Earth Fund)

We support the engagement of the private sector, and believe that all GEF focal areas should seek to engage the private sector as feasible and appropriate. Engagement of the private sector should not be something merely left to one program. Despite this, we can support having a clear allocation of resources for private sector engagement, although perhaps not at the level suggested.

We believe it is too early to state that the Earth Fund is having a positive impact, and we believe the statements about its effectiveness are overly optimistic and not justified by clear evidence. Constituting the Earth Fund Board took a very long time, and the types of projects being funded through the Earth Fund are not of the type that we had been led to believe. It would be premature to allocate \$500 million to this still unproven pilot project. Indeed, in June 2007, we had called for there to be an assessment of the Earth Fund prior to allocating further funding to it.

One aspect of the Earth Fund that we support is the notion of a strong working partnership between the GEF (led by the Secretariat) and the International Financing Corporation. Another aspect that we support is allowing other GEF agencies (besides the IFC) to have access to resources for private sector projects. We do not, however, believe that the emphasis of this undertaking should be to raise resources from the private sector. Rather, it should be on matching GEF resources with private sector resources to catalyze the sustainable generation of global environmental benefits.

- Additionally, we would suggest reconsideration of the specific language on the Expected Private Sector Engagement Outcomes with regard to biotechnology. The current language ‘Appropriate regulation of private sector in safe use and application of biotechnology’ erroneously implies that only the private sector needs to be regulated, or that different standards would apply to the private and public sectors. A science-based regulatory system should apply equally to the private and public sectors in their use and application of biotechnology.
- Furthermore, this implies that this is not already occurring in any country either through national regulation and/or through private sector policies. As we are not clear on what the Earth Fund would actually do in regards to building capacity to implement the Cartagena Protocol, we cannot suggest other language at this time, but would welcome further discussion.

Concessional Finance

We agree that moving forward it would be beneficial to see a decreasing level of concessionality for GEF projects in countries that have higher levels of capacity, including financial capacity. The proposed incentive mechanism would be one way to begin the move towards lower levels of concessionality in wealthier developing countries. Other options include combining lower levels of GEF grants with MDB loans so as to lead to lower levels of concessionality in wealthier countries or for activities with positive economic returns, such as energy efficiency projects. Either way, we believe that the GEF will need to build its capacity in terms of project financing.

Results Framework

We would like to thank GEF staff for efforts to improve its results framework for GEF-5. We have seen results frameworks more as a means for the institution to track and demonstrate its results. Clearer demonstration of results will be very important to building the case for a larger replenishment. [We need a clearer understanding of what the GEF means that this framework is used to “manage” results.]

- We believe the results measurement framework would benefit from further improvement.
- Where possible, there needs to be baselines and targets. In this regard, we encourage GEF staff to look at what was done for the IDA and Asian Development Fund replenishments.
- The framework should try to ensure measurement of GEF’s contribution to achieving global environmental benefits (outputs and outcomes), link this to global environmental trends, and track the GEF’s organizational effectiveness and efficiency.

- There is, in the current framework, no linkage to the overall global framework. What is the trend, for example for overall GHG emissions from developing countries?
- We think there should be fewer critical indicators per focal area, which will likely mean fewer objectives.
- GEF Sec should consider convening a workshop with other practitioners in the field to build a state-of-the art framework.