UNEP CONTRIBUTIONS TO GEF-6 STRATEGIES AND PROGRAMMING

COMMENTS ON DOCUMENTS CIRCULATED TO 1ST REPLENISHMENT MEETING

Preamble and overview

UNEP fully supports the main strategic direction introduced by the CEO Dr. Ishii, for the GEF to build on its strengths to achieve transformational change. GEF is a unique partnership whose entities together can achieve this goal. GEF's successes have been measured, its diversity of mandates lauded, and its multi-dimensional business model valued. GEF must continue to stress results for impact, further streamline project cycles for easier access by governments and civil society and less transaction costs, and incentivize integrated approaches to environmental sustainability and implementation of the multi-lateral environmental agreements to which it serves, so as to better fulfill the promise of Rio+20. In addition, UNEP recognizes that strategic thinking for GEF-6 needs to take a more integrated and cross-cutting approach while also addressing the internationally negotiated and agreed goals and targets of the MEAs.

All environmental issues are equally critical and urgent. However, the relative balancing of resources among focal areas, or through cross-cutting signature programs, would need to take into account the existing and planned environmental finance architecture and GEF's role in that landscape. It should also take into account the history of successes in each focal area, focusing on those that have had the most impact, those that address drivers and root causes more effectively, and those in which the greatest innovation can be achieved.

UNEP is pleased to provide the following comments on the first set of documents circulated at the 1st Replenishment Meeting for GEF-6, and does so from its vantage point of keeping the global environment under review, and within its strengthened mandate of setting the global environmental agenda. UNEP is pleased to have been part of the Technical Advisory Groups of several Focal Areas and in general supports the direction taken in each Focal Area approach, but also highlights a few gaps that can be identified through a review of GEO-5 and convention guidance.

Comments are organized as follows (click and hold for separate sections):

Cross-cutting issues

The Rio+20 Outcome Document focused (among other issues) on "**inclusive green economy in the context of sustainable development**", and on **Sustainable Consumption and Production**. The GEF has for long worked on various aspects of these issues, but might not have done so in a comprehensive manner, nor perhaps by addressing key drivers of change, and without a strong enough cross-linkage to its private sector activities. The GEF should consider how it can respond to these two key aspects of sustainable development, within its own mandate of generating global environmental benefits. For example, the GEF's interventions could focus on enhancing the enabling framework, such as policy and legislation, capacity development for innovative metrics and tools, and assessment of fiscal reform needs. A strengthened, revised and innovative CCCD window – as a cross-cutting theme similar to SFM and not as a Corporate Program - would be able to expand its scope to address these drivers of lasting change while also better linking its actions to other focal areas.

GEF has a clear advantage for being **innovative, and taking risks** that the private sector is not likely to. These efforts could be enhanced by:

1. Financing breakthroughs through upstream assessments, analysis and pre-investment. For example, the Millenium Ecosystem Assessment, partly financed by the GEF and coordinated through UNEP, was the precursor to the GEF's leadership on payment for ecosystem services.
2. Financing more targeted research projects, expected to be updated through a proposal from STAP. This modality offers many opportunities for addressing emerging issues.
3. Accept risk and failure when evaluating success of projects. Agencies and GEF Evaluation Office should evaluate high risk projects differently than low risk projects. A harmonized category of risk could be developed within the GEF network to act as a benchmark for monitoring.

GEF should embark on a clear and effective **knowledge management (KM) strategy**, one that reflects the Partnership model of the GEF. A networked or decentralized KM mechanism through GEF Agencies is a trump card. It would leverage KM capacities of agencies, be more cost effective in the long run, and not duplicate existing networks, such as CTCN, or existing means to keep the environment under review, such as the global environmental outlooks. The KM Strategy should use the IW-Learn model, complemented by the work of STAP's Advisory Products, to better build bridges between projects, ensuring that successful results are picked up and replicated or sustained by a next generation of projects.

In the past the GEF had a "Short Term Measures" modality that was used for fast tracking financing for **environmental crises**, such as conserving the last few remaining species, or helping to leverage attention and co-financing about disasters that immediately threaten sensitive habitats. Given that environmental crises are increasing, including through extreme climate events, the GEF should consider revamping and updating this modality as a defining feature of its role in the landscape of environmental finance.

UNEP would encourage the development of an innovative approach to enhance the effectiveness and impact of GEF financed **enabling activities**, building on lessons learnt through portfolio evaluations, feedback from conferences of parties, and successful pilots such as the "Joint Reporting" initiative between CCD, CBD and UNFCCC (financed through the CCCD window). There are clear opportunities for building stronger synergies, and greater cost effectiveness, mainstreaming and sustainability for enabling activities, especially at the national level. UNEP looks forward to discussing innovative ideas, perhaps through a special "TAG" established for this modality.

Operational Issues

Thanks to TEEB and other efforts, we now have adequate tools for **measuring negative externalities** of actions that damage the environment,. The GEF should consider adopting and adapting some of these tools to better assess baselines and measure impacts of projects.

Multi-focal area projects have been a useful tool for integrating themes and objectives, however, they are challenging to design, track/monitor and implement because of certain rules and procedures. GEF Agencies have suggested ways in which such projects could be streamlined, and we would welcome an in depth discussion in the coming months on how to improve this modality of projects.

The new concept of "**performance-based financing**" needs careful assessment before it can be easily applied to a multi-lateral financing mechanism such as the GEF. In particular, its relation to incremental cost approach, as well as to GEF's role in addressing drivers of change should be considered. This could be accompanied by a thorough analysis of lessons learnt from existing experiences among the MDBs.

Signature Programs

UNEP supports the piloting of integrated projects within prioritized programs, where they will add value to the ongoing programming. The STAP has presented a preliminary logical framework for selection of cross-cutting programs, which is valuable for providing a transparent rationale for their identification and selection. Such programs could be conceived in broad terms with broad objectives and applicable to all regions and countries, and reported against in a manner similar to reporting for the Strategic Objectives of each Focal Area (rather than setting aside specific funding for a cross-cutting program).

Incentive mechanisms for such programs already exist (e.g. through the Programmatic Approach modality – although this modality might still need to be streamlined and improved). However, a few more incentives can be imagined:

a) relax the rule that requires multiple tracking tools and multiple reviews;
b) allow flexibility to countries to design cross-cutting projects that address the objectives of the signature programs rather than taking a blueprint approach;
c) allow flexibility in designing phased projects that may straddle two GEF cycles, because integrated projects often require more time to achieve results;
d) build in capacity for integrated thinking into project preparation or inception; and
e) provide "top up" resources from the set asides outside of the STAR.

Climate change mitigation

Support for the UNFCCC Technology Mechanism

The issue of technology transfer has been a cornerstone of the UNFCCC since the Convention was established. COP13 requested the GEF to develop a programme to promote investment in technology transfer that was later adopted as the *Poznan Strategic Program on Technology Transfer*. The GEF has used this guidance from parties to shape its programming throughout GEF-5. At COP16, however, parties established a Technology Mechanism with the aim of accelerating the development and deployment of mitigation and adaptation technologies. Formal decisions at COP17 and COP18 have provided explicit guidance to the GEF concerning support for the new Technology Mechanism, and the Climate Technology Centre and Network (CTCN) in particular. UNEP believes that the GEF-6 programming cycle provides a timely opportunity for the GEF to bring its support for technology transfer projects in greater conformity with these recent COP decisions. Specifically:

- The GEF-6 programming paper should include an explicit reference to GEF support for the CTCN.
- GEF-6 should prioritize technology transfer projects identified and developed by countries with support provided through the mechanisms being established by UNEP as the selected host of the CTCN.
- In GEF-6, the secretariat should stress the connection between the regional technology transfer pilot projects approved in GEF-5 and the CTCN in order to create a more robust global network supporting the objectives of the UNFCCC Technology Mechanism.
- In GEF-6, the SCCF Strategy should also make an explicit reference to support for the CTCN in the area of adaptation to climate change.

Short Lived Climate Pollutants (SLCP)

Mitigating gases and particulates that are short lived in the atmosphere – methane, black carbon and some HFCs – has the potential to reduce near term climate change (i.e. in first half of this century) by 0.5 degrees while also bringing substantial benefits for health and agricultural productivity. Examples of SLCP projects include: reducing

black carbon emissions from heavy duty diesel vehicles & engines in the transport sector; mitigating SLCPs from brick production; mitigating SLCPs from landfills and municipal solid waste sector; promoting HFC alternative technology and standards; accelerating methane and black carbon reductions from oil and natural gas production; improving cook stoves and domestic heating; reducing methane emissions in rice production systems and parboiling systems in the agriculture sector; and reducing SLCP emissions from open burning in forest/agricultural practices. SLCP can be multi-focal in nature and this a comparative advantage of the GEF *vis-à-vis* other funds such as the GCF and CIF. Mitigating SLCPs can help deliver large scale tangible benefits for the global commons in GEF-6 at a critical time leading up to the potential entry into force of a climate agreement in 2020. Specifically:

- The GEF-6 programme should explicitly encourage and promote action to mitigate SLCPs either as a pilot signature programme, or as a specific area of work under climate change mitigation.
- In GEF-6 action on SLCP should be justified not only for CO_2 and methane emission reductions, but also for global and local climate, health and agricultural benefits related to reduction in emissions of black carbon and tropospheric ozone.
- GEF-6 should make use of established mechanisms such as the Climate and Clean Air Coalition to deliver its programmes for mitigating SLCPs.

Private Sector role in Climate Mitigation

The GEF-6 paper lays out many promising options for piloting approaches to engaging the private sector in climate change mitigation. UNEP endorses the overall approach, particularly the private sector aspects of Objective 1 on promoting innovation and technology transfer. However, the current strategy also poses some concerns, particularly within paragraph 22 on innovative financing mechanisms. The paragraph states that 'Projects that promote investments without financial tool usage would be discouraged'. This would seem to be a costly strategy since in many instances investment can be mobilised with lower cost public interventions than financial tools. The recent World Economic Forum's *Green Investment Report: The ways and means to unlock private finance for green growth* states (page 7) 'There is strong potential for increased lending, advancing and rolling out de-risking instruments, using carbon credit revenues, and targeting grant money combined with technical assistance to attract much greater private investment.' (p18) 'While public-private finance mobilization and leverage ratios are difficult to calculate or compare across projects, countries and instruments, ratios of 1:5 and above are not uncommon, and there are some cases of instruments, such as grants, delivering ratios of 1:8 and higher.'

The emphasis on mobilising institutional investors such as pension funds may be a bit optimistic for a programme strategy aiming to promote innovation and technology transfer. Such investors are very risk averse and known to only engage, with few exceptions, in markets that are fully mature. Initiatives that aim to mobilise pension funds need to be carefully vetted to ensure that GEF resources are actually crowding them in and fostering long term engagement rather than a few demonstration projects that don't clearly fit with their broader long term strategies.

Sustainable Cities

GEF-6 work on cities should recognize that the ecological and resource footprint of cities goes far beyond their geographical boundaries. Cities rely on a range of natural resources for their functioning and sustainability and it is beneficial to integrate and analyse these resource flows in cities and to reduce their overall outputs, in terms of waste, water and energy.

One key area of support, to be considered by the GEF6 programme, would be to better understand these resources flows and to convert this knowledge into a set of operational decision –making tools for city Mayors to adequately manage their resources and reduce the environmental impact related to their use, processing and consumption. Furthermore, understanding the potentials and opportunities of urban mining would allow Mayors to better manage their cities and improve their efficiency as well as their resilience. At the same time, there is a need to have harmonized metrics to account for and report on GHGs originating from cities. GEF could support this effort which will result in consistent, robust and comparable city inventories. It will also allow for accurate monitoring of progress against emissions targets, facilitate robust climate action planning, and provide standard guidance as local governments pursue environmental review, inventory certification and other relevant policy making processes in their day-to-day operations. Finally, consideration should be given to effectively managing the rural to urban exodus so as to match the pace of service delivery, including increasing service provision in rural and small settlement areas.

Chemicals and Waste

In spite of recent science confirming the chemicals intensification of national economies and everyday lives and the increased political attention on chemicals and waste as demonstrated by the agreement of the text of the Minamata Convention on Mercury, adequate funding is still elusive. Significant action at the national level will be dependent on adequate and predictable funding for the protection of human health and the environment. Within the chemicals and waste area, the GEF-6 period is critical. It marks four of the seven remaining years to the achievement of the WSSD 2020 goal, reaffirmed in Rio last year, of universal sound management of chemicals and waste. Further, it will see the interim implementation period for the Minamata Convention and its likely entry into force, combined with the possibility of expanding the support provided by GEF to other conventions and international policy frameworks in the chemicals and waste cluster. Additional efforts to increase funding across the chemicals and waste area, and specific efforts to demonstrate that funding is being mobilized to support the political will demonstrated in the signing of the Minamata Convention is critical in GEF6. Specifically GEF-6 should:

- Better recognize the integral nature of chemicals and wastes in its multifocal area work.
- Support activities for countries to identify and address country-specific mercury issues in the context of the Minamata Convention.
- Specifically recognise and support the implementation of GEF relevant parts of the integrated approach to financing sound management of chemicals and waste as adopted by the UNEP Governing Council.
- Present concrete approaches to secure new and additional funding in the context of the financial mechanism of the Minamata Convention and the role of the GEF in this approach.
- Promote approaches that provide greater and more direct private sector engagement, compatible with the 'industry pillar' of the integrated approach to the financing of chemicals and waste is welcomed as well as those that encourage the mainstreaming of domestic resources.

GEO-5 reports that there are now 248,000 chemical compounds in use worldwide. The rate of new and **emerging chemicals** is very high, and not enough assessments are done on the short and long term impacts of such compounds, or their accumulation in food systems, commercial products, etc.. The GEF-6 should continue to invest in forward looking assessments so as to anticipate and mitigate future global environmental problems.

Biodiversity

UNEP in general supports the direction taken, but would suggest a greater attention be paid to the following issues :

- GEF should continue to innovate, as it has done in support of the Millenium Ecosystem Assessment. The Strategy should be open to other innovative concepts, innovative tools and knowledge generation mechanisms that would be forward looking and help to eventually influence GEF-7. In this context, the GEF-6 strategy should also recognize IPBES and be ready to provide operational support to this process.
- In addition to "vulnerability" and "irreplaceability" there is one more criterion that would help to enhance the sustainability of protected area systems, and that is connectivity. Ecosystem connectivity, whether through transboundary connections, or well managed buffer zones, or critical flyways, has been proven to be very effective in sustaining the impact of protected areas. We also suggest that the scientific underpinning of some of the thresholds established for these criteria be verified. Furthermore, invasive species are one of the fastest growing threats to protected area systems.
- Additional focus and resources for tackling global illegal trade in wildlife and timber species is most welcome, and UNEP would encourage a closer link to the global initiative about to be launched in association with InterPol, CITES, UNODC, and others. The global initiative will focus on threatened species and timber, but has the potential to expand to illegal fisheries, illegal mining, and illegal dumping and trade of hazardous chemical and wastes.
- The Access and Benefit Sharing strategy is most welcome, although it could be strengthened with stronger focus on protection and codification of indigenous knowledge. Furthermore, lessons learnt from NPIF lead us to conclude that all the aims and objectives as described in the NPIF strategy could be amalgamated into

the BD Strategy for Access and Benefit Sharing and effectively handled as one project rather than split between projects. Most countries see a continuum of activities, with enabling frameworks, legislation and capacity building paving the way for private sector/community arrangements. This amalgamation would also reduce the transaction costs of dealing with two different trust funds.

- GEO-5 has highlighted the plight of wetlands, reporting a significant loss of 50% in health and ecosystem function. GEF-6 should pay a particular attention to this issue, while benefiting both the biodiversity aims of CBD and related BD conventions such as Ramsar, as well as International Waters aims.

Land Degradation

Biofuels is not just a forest issue, and should be featured as a major cross cutting issue in the SLM Strategy.

Another area that could be better highlighted is the issue of privatization of natural capital and ecosystems, including the phenomena of land grabbing, which are linked to increasing poverty and inequality as well as over-exploitation and land degradation. The GEF-6 should conduct a few targeted assessments to ascertain the current and future impacts on sustainable land management.

In addition, the GEF could provide greater support to recommendations emanating from the recent UNCCD CRIC 11 including, support to countries (i) in conducting assessment and supporting establishment of DLDD monitoring and early warning system as adaptive tools for drought preparedness; and (ii) Advocacy Policy Frameworks on drought including water scarcity. These two issues would provide the enabling environment for ensuring food security globally.

International Waters

While OPS4 and OPS5 both praised the TDA-SAP approach which constitutes the backbone of the focal area and is responsible for much of its impacts to date, the current strategy could perhaps be repackaged to better highlight transformation. The core GEF IW work (TDA, SAP development, SAP implementation, targeted research etc) is critical and important and the bulk of GEF 6 investment in IW should be directed to these kinds of activities. But after four GEF replenishment cycles now, perhaps it could be packaged under a single large objective receiving much of the allocated finance, which has specific programs on: 1.1 foundational work, 1.2 SAP implementation in freshwater systems and 1.3 SAP implementation in coastal, and marine systems, with the various elements highlighted within these programs (e.g conjunctive management of surface and groundwater, nutrient reduction etc) as outcomes of these programs. This would leave opportunity to develop whole new objectives (albeit with smaller funding allocations) that are beginning to explore and address new emerging issues that might or might not feature more strongly in future GEF IW strategies.

UNEP has gone through a foresight process which highlighted 21 critical environmental emerging issues for the 21 century amongst which was the need ocean governance to avoid the collapse of some oceanic systems. http://www.unep.org/publications/ebooks/foresightreport/Portals/24175/pdfs/Foresight_Report-21_Issues_for_the_21st_Century.pdf.

There is also a need to further strengthen the scientific basis of the strategy. Some science could nicely complement "The Challenge" section as well as the description of the various program elements. GEO-5, in its special technical brief on water presents a series of Global Water Challenges http://unep.org/geo/pdfs/geo5/GEO-5_WATER-small.pdf

The following six main messages highlighted in the GEO-5 Water Chapter would help in grounding the strategy in internationally recognized challenges and issues:

1. Legal recognition of ecosystem water needs within water allocation systems would help protect and sustain the ecosystem services upon which humanity depends;
2. Increasing water-use efficiency in all sectors is critical to ensuring a sustainable supply of fresh water of acceptable quality for all uses;

3. Reducing aquatic pollution at the source, including nonpoint sources, will improve water availability for multiple uses;
4. Increased water system governance capacity, including institutions, policies, finances, public awareness, and water stakeholder participation, including gender mainstreaming, would greatly facilitate integrated land and water management approaches at all levels, including transboundary water systems;
5. Water, energy, economic development and climatic change are fundamentally linked. Climate-sensitive policies across all water-related sectors are essential for addressing existing and predicted hydrologic variability and extreme events such as floods and droughts.

Further UNEP would like to stress the following points for consideration in the strategy:

1) The need to promote the Ridge to Reef Approach drawing on the many opportunities and core work of agencies, ensuring synergies amongst the different approaches and inter-governmental platforms through the regional seas programmes, the RFMOs, the LME management approach but also through the GPA and marine ecosystems work of agencies.

2) While we note the convergence between UNEP & GEF6 IW strategy and programs in general, it's worth noting the similarities between the GEF 6 Signature Programs and focal area priorities and the UNEP PoW and MTS and UNEP thus looks forward to be able to provide context, policy direction, tools and implementation support to the GEF program, especially supporting green economy, ecosystem resilience and the food/water/energy/ecosystem security nexus.

3) UNEP notes with interest that the GEF6 Program document promotes multi-focal area collaborations and looks forward to act as a facilitator of cross-sectoral collaboration. UNEP has pioneered a number of tools to facilitate cross sectoral synergies, including tools for ecosystem based adaptation and guidelines for the application of marine spatial planning.

4) UNEP also believes that a critical missing area of work is on water quality for ecosystems guidelines to fill in a current gap given WHO guidelines for drinking water and FAO guidelines for irrigation waters.

5) Finally, in paragraph 13: controlling land based sources of pollution is not just a water or coastal resource management issue…consider putting some emphasis on partnerships that engage industries and other sectors that may not have a history of collaborating with ICM stakeholders.

LDCF/SCCF Adaptation Strategy

The National Communications have the potential to generate useful information including data on vulnerabilities and impacts which help identify priority areas for adaptation for LDCs and other developing countries. The strategy and in particular Pillar III which is about the synergies with other GEF focal areas would benefit from synergies with Enabling Activities / National Communications.

The strategy makes no reference to economics of adaptation options. Pillar II of the strategy which is about preparing the ground for long term adaptation would benefit from any lessons and information on the economics of adaptation including the costs and benefits generated / collected so far under LDCF and SSCF including the need to continuously monitor and evaluate the impacts of the measures.

The SCCF has a specific financing window on technology transfer (window B) and the types of activities supported are very much in line with the considered CTCN services and in our view should be supported by the SSCF B as requested by the CoP decision 2/CP.17; paragraph 140 . In light of this, additional text is proposed (in yellow highlights) under para 85 and 87 of the section on SCCF - B of the strategy to read as follows:

Technology transfer (SCCF-B)

85. The SCCF has a specific financing window on technology transfer (SCCF-B), which has contributed to the implementation of the Poznan Strategic Program on Technology Transfer[1] through Technology Needs Assessments (TNA), as well as technology transfer pilot projects. COP has established a Climate Technology Center and Network (CTCN) as part of the Technology Mechanism (decision 1/CP.16; paragraph 117), to promote technology transfer, and has also requested the Global Environment Facility to support the operationalization and activities of the Climate Technology Centre and Network (decision 2/CP.17; paragraph 140)

86. Projects have the option to focus on long-term planned response strategies, policies, and measures, rather than short-term activities.

87. According to COP guidance the SCCF B can support:

- *implementation of the results of technology needs assessments;*
- *technology information;*
- *capacity-building for technology transfer; and,*
- *enabling environments.*
- *activities of the CTCN*