

## UNEP CONTRIBUTIONS TO GEF-6 STRATEGIES AND PROGRAMMING

### COMMENTS ON DOCUMENTS CIRCULATED TO THE

### 2<sup>nd</sup> REPLENISHMENT MEETING

#### *Preamble and overview*

UNEP supports the main strategic direction for the GEF to build on its strengths to achieve transformational change. GEF is a unique Partnership whose entities together can achieve this goal. Its work should not be duplicating the initiatives and global partnerships developed by its Agencies. 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.

UNEP is pleased to provide the following comments on the set of documents circulated at the 2<sup>nd</sup> 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 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):**

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#### *A new “Cross-Cutting Areas” window : Promoting an integrated approach to environmental issues*

GEF has experimented with many programmatic approaches that cut across and link focal area priorities. Similarly, many regional and global projects take an integrated approach. More can be done by explicitly recognizing a new programming area called “Cross-cutting Areas”. Under such a window, countries’ STAR allocations would include an additional “national top up” of e.g. 10% over their focal area allocations, for promoting integrated programming, regional and global cooperation, and synergies among conventions. An additional global set aside could be added to incentivize more regional and global cooperation. The Cross-cutting Area would programming areas such as:

1. Value chain approaches that address the immediate drivers of environmental degradation<sup>1</sup> from commodities, such as looking at the life cycle of the timber and soya industries (former Signature Programs), or life cycles of chemicals such as lead; with a focus on reversing unsustainable consumption and production<sup>2</sup> of these natural and agricultural commodities, including through certification and other innovative means<sup>3</sup>, and taking not just an industry-led approach but a multi-stakeholder one
2. Focal Area integration, such as packaging BD, IW, CC and LD resources to address food security, oceans and fisheries, and sustainable cities (former Signature Programs), and sustainable forest management (former SFM set aside); such projects would be supported through the global set aside for greater harmonization, and establishment of appropriate global multi-stakeholder partnerships
3. Regional and global cooperation, such as on illegal trade in tusks and rhino horns, control of invasive species, or south-south and triangular cooperation on transfer of technologies, capacity building, policy and regulations and other enabling environments
4. Cross-cutting capacity development (CCCD) – please see below for more indepth recommendations.

These areas would be further elaborated in the Cross-cutting Area, with appropriate linkages to the traditional Focal Areas. It is proposed that this new Cross-cutting Areas window be endowed with at least 20% of GEF resources, of which 75% would be top ups to individual country STAR allocations.

Incentive mechanisms for such activities 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

## *Drivers of change*

UNEP welcomes the greater focus on addressing drivers of environmental degradation. However, the Strategy Document needs to be consistent in the use of terms (e.g. “underlying drivers” vs indirect drivers). To respect the incremental cost principle of the GEF, only those activities that address pressures, direct drivers and indirect drivers would be eligible for GEF financing.

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.

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<sup>1</sup> Commodities can be a driver of deforestation, but it is also important to recognize that commodity production is also driving negative trends in, *inter alia*, land use, water use, nutrient management, and greenhouse gas emissions. In fact, if three of the most important grain commodities – maize, rice and wheat - are considered from a sustainability viewpoint, deforestation is not a major impact, whereas biodiversity loss, land degradation, water use and green house gas emissions/climate change all contribute to their importance as environmentally impactful commodities

<sup>2</sup> GEF could support the incremental costs of helping countries benefit from the Consumer Information Programme, identified as one the five initial programmes in the 10 YFP on SCP, adopted by Member States at Rio+20, as well as the Sustainable Rice Platform.

<sup>3</sup> Certification schemes allied to labels can, through increased and targeted consumer information, stimulate the market for sustainably produced food and in turn the uptake of better production practices. This is a model that largely applies to commodity supply chains that supply markets with consumers that are prepared to recognize and reward this (South-North). In the example of rice, where 93% of rice is produced and consumed domestically and the majority of rice that is internationally traded is to developing countries, innovative approaches to stimulating the uptake in better production practices need to be developed, such as direct incentives for better ecosystem based management and resource efficiency to farmers (as developed through UNEP’s Resource Efficiency programmes)

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. We disagree with the statement that the “feedback loop is broken” – it is there but not being used effectively to provide information to the Council, recipient countries, and project designers. 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. GEF KM should also be designed with a view towards the upcoming role and responsibilities of UNEA, and UNEP’s GEO processes, Eye on Earth, and UNEP-Live. UNEP is concerned that STAP is not mentioned sufficiently, and believes that the roles and responsibilities of STAP vs the GEFSec on KM also need to be carefully clarified.

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.

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. The modality would require even more streamlined procedures that are currently in use.

### *Cross-cutting Capacity Development (CCCD)*

Findings of the recently published Fifth UNEP Global Environment Outlook (GEO-5) show that significant progress has been made on only a small number of the 90 global environmental goals assessed in GEO-5. One conclusion of relevance to the GEF-6 CCCD strategic approach is that: “Many global environmental goals have been developed in a fragmented way, but the interconnectedness between climate change, water resources, desertification and biodiversity loss, for example, makes isolated governance responses less effective. The fragmented international framework has also resulted in a heavy burden for some countries, in terms of reporting and fulfilling their obligations.” While capacity is already being built under the BD, CC and LD focal areas, it is also important to build capacity to integrate the outcomes of the focal areas to better and more holistically inform decision and policy making processes within national government.

The top five capacity development needs identified in the NCSA synthesis report are still very relevant. The CCCD window was not well known in GEF-5 (being subsumed into the “Corporate Programs”) and the portfolio was hampered by unpredictability of funding and approach. However, UNEP would recommend awaiting the results of the evaluation before undertaking a major exercise to update NCSA in 150+ countries, taking into account that very little CCCD projects would have completed all activities, hampering a comprehensive evaluation.

In addition to the direction provided in the current documents, it is suggested to enhance the significance and funding allocation of this little known but important area for the benefit of LDC and SIDS. The Rio+20 Outcome Document focused (among other issues) on inclusive green economy in the context of sustainable development. The GEF has for long worked on various aspects of these issues, but might not have done so in a comprehensive manner, nor addressed key drivers of change. The GEF’s interventions in CCCD 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 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

### *Operational and Financial Issues*

UNEP supports innovations that lead to better streamlining and reducing transaction costs in the GEF. A “**competitive pool**” modality would be unfair to MICs, and would require additional rules and procedures thus complicating rather than simplifying the GEF.

UNEP supports efforts to **revise the STAR parameters** so as to result in a system that is more equitable than today and provides the LDC and SIDS with sufficient “critical mass” of grant financing to make a difference.

UNEP proposes that higher income countries and investment projects be required to contribute more **co-financing** than others. However, the fundamental character of GEF as an incremental financing body needs to be respected. A clarification of definitions of baseline, co-financing, GEF Alternative, etc. should be developed by GEFSec and Agencies for Council approval.

UNEP proposes that UMICs consider engaging in regional and global “**south-south**” **projects by providing additional co-financing** for the benefit of other countries. This co-financing (cash, equipment, technologies, and technical assistance) would be quantified and recorded by Agencies, and reported to Council on a yearly basis as part of the AMR.

UNEP does not support **increasing the proportion of loans to grants**, until such time that a thorough evaluation is done and recommendations provided, from a study of existing experience with concessional financing. Agencies should continue to find innovative means to enhance the impact of GEF financing, according to their mandates (blending with IFI lending; and UN-style endowment funds and other local/national mechanisms for sustainable financing).

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.

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. Care must be exercised to make sure that the modality does not inadvertently pose a disincentive to countries to meet global environmental goals.

Finally, UNEP believes that unless the OPS-5 provides solid evidence to recommend otherwise, that the **partition of GEF trust fund among focal areas** (and share of “set asides”) should not fundamentally change from GEF-5. Concerns of under-utilization of some areas (such as transport, biosafety) should be placed in the context of fluctuating demand and perhaps even artifacts of the NPFE process, rather than a disinterest from countries to seek GEF financing. UNEP also believes that donors should consider a robust increase in the replenishment because the mandate of GEF has increased in all areas, not decreased. We also recommend to avoid special windows that are not fully explained in the text, such as “Corporate Program Contribution to Signature Programs (\$20M)” or “Outreach” to Private Sector (\$70M), as these can be perceived as being large funds directly managed by the GEFSec.

### *Climate change mitigation*

UNEP believes that the current version of the programming paper addressed many of the comments we had raised earlier. However, there is still room for further elaboration to strengthen the focal area to address drivers of change,

to take advantage of emerging opportunities, and to place the GEF at the transformational juncture of lifting barriers. In summary these are:

- The introduction of the CCM strategy should further strengthen the case for targeting Short Lived Climate Pollutants (SLCP).
  - The GEF should affirm that abating tropospheric ozone and black carbon can be counted as global benefits and not just a local socio-economic benefit, since this affects the benefit cost ratio of projects.
  - The CCM strategy should make it clear that a reduction of Short Lived Climate Pollutants can be targeted as a global benefit under renewable energy, energy efficiency, and transport of Program 1; under each component of Program 2; and under both LULUCF and agriculture in Program 4.
- Specific reference should be made to the Climate and Clean Air Coalition (CCAC) including both the thematic and operational options for collaboration with the GEF on projects.
- Stronger reference should be made to the benefits of a GEF partnership with CTCN, stating the GEF will finance eligible country technology priorities identified by the CTCN.
  - A single integrated climate technology network, the CTCN, is better and is likely to be more effective than 4 or 5 separate networks. The GEF has already accepted and supports this concept.
- Under Program 1 of the CCM strategy the GEF envisages a '...global energy efficiency certification and standards program ...'. We propose adding the following text to the end of paragraph 74: '... Some global priorities have already been identified in this strategy and will be eligible for global and regional set asides. This includes global energy efficiency certification and standards programs or projects for "greening the supply chain," and mechanisms for appliance efficiency standards with global and regional coordination...'
- Paragraph 32 states there is more renewable energy investment in developed countries than in developing countries. This is expected to change in 2013 (and thereafter), and should alter the perspective on GEF strategy development for renewable energy.
- Paragraph 42 states the GEF will not support de-risking policy and regulatory barriers. UNEP believes these are the most important risks to address if the objective is to address drivers of change and bring about renewable energy and energy efficiency investments, and that this should be part of the GEF strategy.
- Paragraph 46 talks about municipal strategies to foster sustainable urban practices. We suggest "sustainable public procurement"<sup>4</sup> is included here as follows on sub-item (b): "(b) Design and implementation of sustainable urban strategies, policies, including sustainable public procurement, and regulations, combining energy efficiency (buildings, lighting, air conditioning, transport, district heating systems), renewable energy development (solar, wind, co-generation, waste-to-energy), other sources of GHG emissions (waste and wastewater management) and other concerns (adaptation, chemicals management, air quality management, resilient buildings, green zones development)".
- Also in Paragraph 46, but on item (d), we suggest that the paragraph is re-written to include actions to promote both sustainable consumption and production (SCP) aspects that can - at the urban level - have a positive impact on climate change mitigation. We suggest the following text: "(d) Promotion of sustainable consumption and production practices to de-couple urban growth from unsustainable resource use and environmental impact should be promoted and implemented. These practices should aim at: savings through energy-efficient buildings, changes in energy consumption behavior, enhancing health and climate benefits of cleaner fuels and vehicles; reducing the use of persistent organic chemicals (POPs) and other chemicals, reducing CH4 and other SLCP emissions, reducing mercury and lead emissions, and reducing waste and e-waste generation. The GEF financing would be incremental on other financing, including the 10YFP on SCP."
- GEF-6 should continue the strong emphasis and results of GEF-5 in the transport sector.

## *Chemicals and Waste*

The revised focal area strategy now reflects very well the Minamata Convention; the UNEP Integrated Approach to Financing for Chemicals and Wastes; the integral nature of chemicals and wastes as represented through a section on

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<sup>4</sup> For more information see [www.spinitiative.org](http://www.spinitiative.org)

multifocal area approach; and the concept of private sector. There is some tightening up that can still be done to the document to clarify a few areas.

- Paragraph 5 should note that products are also a source of chemicals that can adversely impact health and the environment. It is not only pesticides and industrial processes (which also need to broadly include activities such as mining and not be limited to a narrower definition of “industrial processes”).
- Paragraph 10 refers to projects before and after entry-into-force of the convention. It would be helpful to distinguish which activities have been eligible under GEF-5 and then expand into GEF-6. Scope for GEF funding should include national and regional assessments as well as all provisions in the Convention. By omission of other activities in this paragraph, the implication is that activities for Minamata will be limited to ASGM. Therefore, we suggest eliminating the last sentence of paragraph 10 since we believe it is out of place as the intention of the paragraph is not to start listing activities.
- Paragraph 20 states that “The STAP says that the cost of environmentally sound disposal of the totality of POPs waste in developing countries and CEITs will greatly exceed available GEF resources”. The GEF is not intended to cover the whole cost of POPs disposal, as indicated in the initial sections of the paper, rather the GEF is catalytic and supports the incremental costs. This clarification should be provided about the role of the GEF.
- Paragraph 27 describes the long-term goal, but the first sentence could benefit from some clarification and editing. Here in this paragraph and in other areas there is the impression that the strategy is to reduce production and use of chemicals. We believe the intention is to reduce production and use of “harmful” chemicals, but this is not always clear. The secondary part of this long-term goal is to prevent exposure. The way this sentence is drafted is a bit cumbersome and not clear. As this is one of the key statements of the document, it would benefit from greater clarity.
- Paragraph 30 lists the types of projects funded under GEF-5; it might be helpful to move these to paragraph 10 and build on these for the GEF-6 types of projects (presently there are contradictions between paragraphs 10 and 30).
- Paragraph 31 indicates that the work to support the Minamata Convention to be conducted through Enabling Activities, however, the GEF support should also extend to MSPs and FSPs. More clarification is needed on which activities would qualify as Enabling Activities and how to address broader or more complex provisions of the convention, within the framework of the “Integrated Approach to Financing”.
- Paragraphs 30 and 31 focus on specific areas of mercury management and do not make reference to national assessments, which in our view, are essential before embarking in specific aspects of mercury management.
- The heading above Paragraph 39 should read “Chemicals and Waste Strategic Objectives” not just “Waste”.
- Paragraph 40 states that eight programs under three strategic objectives will “enable the market transformations needed to achieve significant action”. UNEP does not agree that market transformation is the overarching objective.
- Paragraph 48, indicator (i) says “low chemical development policies”. It is not clear what a low chemical development policy is. Further, consistent with other comments above, it should not be simply reducing production and use (presumably the meaning of “low chemical”) but rather the focus on harmful chemicals or exposure.
- Paragraph 42 indicates areas of priority funding should mention application of BAT as it is listed elsewhere such as in Table 2.
- Figure 1: The Secretariat of BRS conventions and UNEP during the Task Force on POPs in April 2013 indicated that Program 2 should be further clarified, since the promotion of finance and business models should be part of projects and not be treated as a separate Program. This should be deleted from CW1. It seems that Figure 1 is not well connected and referenced to paragraph 42 where we think there would be greater consistency.
- In paragraph 46, bullet 1 and 5 seem repetitive and could be cleaned up/streamlined.

- Throughout the strategy, regional and global cooperation should be explicitly mentioned
- Also bullet 6 seems inappropriate, as this Program focus on testing new technologies and proven safe reduction and elimination seems contradictory.

## *International Waters*

The revised IW Strategy has not fully addressed the concerns raised earlier. We repeat and summarize some key issues here:

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.

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:

Para 2 : we do not have sufficient data to say hypoxic areas have increased geometrically. More effort has gone into research hypoxia over last 30 years – and therefore it is more likely an increased awareness leading to increase recognition of such areas. Research shows that most hypoxic events are detected in developed countries because they have the capacity to detect - we have very limited information on this in developing countries - and some hypoxia events are natural processes.

Para3: World fish supply has increased significantly due to a rise in aquaculture – please clarify this text. And please consider in para 5 that this increase is both from marine and freshwater fisheries, not just marine. See also para 12.

Para 4: It is stated that “The majority of the world’s Large Marine Ecosystems (LMEs), from which over 85% of the world’s fish catch are derived, are equally shared by two or more countries”. It is incorrect to state they are “equally shared”.

Para 11 : the degradation is not just due to markets, but also national policies.

Para 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

Para 55: The GEF should build on its partner Agency initiatives, not duplicate processes. There is a need to better leverage the GPA. Similarly, para 67 cannot ignore the existence of Regional Seas Conventions negotiated by Member States.

In general, the IW strategy needs to recognize that pressures of unsustainable use are not just specific to water resources, and that land and water interactions are very important, as are the water-energy nexus. Furthermore, both water-use and “space” use (especially in terms of tenure and conflicting use and tradeoffs) are very important drivers of change. The IW focal area should innovate with new mechanisms that support the SAP approach to address such drivers. 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.

Furthermore, the issue of solid waste management is increasing and also emerging as a significant challenge to the development of marine sectors - e.g. sailing events for the Olympics in Brazil are at risk because of the amount of marine debris in the coastal waters (including a refrigerator)! The Marine Debris Partnership has been developed to address these issues including their impact on fisheries, tourism, etc. Finally, UNEP believes that after 20 years of experimenting and promoting both LME and ICZM approaches, the GEF should now venture into more innovative territory and experiment with other approaches.

### *Policy Recommendations*

UNEP firmly believes in gender mainstreaming, and has taken all necessary steps to comply with UN-wide requirements and GEF minimum standards. Similarly all other Agencies are doing the same. For the sake of streamlining and simplification, we would not recommend that GEFSec develop yet another “detailed checklist” as it would inevitably lead to more rules and transactions, but rely on its own Agencies’ processes once it has been confirmed that they comply with the standards.

Furthermore, the document should also reflect some of the changes started in GEF-5 but not fully codified in GEF’s Instrument. For example, it should reflect the state of thinking on broadening the partnership; it should reflect the recent decision for GEF to be a financing mechanism of the Minimata Convention; etc..

UNEP would like to suggest at least two areas for additional policy recommendation :

UNEP welcomes the additional attention to ABS in the BD Focal Area including broadening of the scope. As a result, we no longer believe that the NPIF is value added from a substantive point of view. Furthermore, phasing out this additional (pilot) trust fund would help to streamline procedures. Should donors wish to target funding for ABS and the Nagoya Protocol, they could do so through co-financing to projects and programmes. Such additional funding could be recorded separately and visibly through a revised co-financing policy.

The document should also include a revised and updated “roles and responsibilities” agreed to between the GEFSec, Agencies, STAP and GEF EO.

Finally, the Agencies and GEFSec are developing further recommendations on streamlining, co-financing, and cost recovery on corporate activities, some of which require Council Decisions. These will be communicated forthwith.