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Item 3.8 of the provisional agenda*

REVIEW OF IMPLEMENTATION OF ARTICLES 20 AND 21

Review of the effectiveness of the financial mechanism

Note by the Executive Secretary

I. INTRODUCTION

1. In decision VIII/13, paragraph 11, the Conference of the Parties requested the Executive Secretary to make the necessary arrangements for an evaluation of the effectiveness of the financial mechanism to be conducted in time for its ninth meeting. The evaluation was to be carried out according to the guidelines contained in the annex to decision VII/22 with certain adjustments.

2. In response, the Executive Secretary contracted an experienced independent evaluator through an open and transparent international bidding process. The overall conclusions and recommendations of the independent evaluator are reproduced in section II of the present note, and the full report of the independent evaluator is contained in document UNEP/CBD/COP/9/INF/20.

3. In decision VII/22, the Conference of the Parties decided that based on the synthesis report and recommendations of the independent evaluator, the Executive Secretary shall prepare, in consultation with the Global Environment Facility, a draft decision on the third review of the financial mechanism, including specific suggestions for action to improve the effectiveness of the mechanism if necessary. The recommended decision is suggested in section III of the present note.

II. OVERALL CONCLUSIONS AND RECOMMENDATIONS

4. The following reproduces the overall conclusions and recommendations of the independent evaluator:

“The Review findings, conclusions and recommendations need to be considered in the context of the following understandings of the nature of the Financial Mechanism:

* UNEP/CBD/COP/9/1.

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- The CBD and the GEF are distinct institutions, with their own governing bodies and own rules and ways of operating. The only legal links between the two entities are COP Decision II/6 appointing the GEF as the Financial Mechanism of the Convention on an interim basis; The Instrument for the Establishment of the Restructured Global Environment Facility (2004); and, the 1996 Memorandum of Understanding between the COP and the Council of the GEF.
- As the Financial Mechanism of the COP, the GEF is accountable to the CBD for providing funding to eligible countries (developing countries and countries with economies in transition) for the incremental costs of activities with global benefit (Instrument for the Establishment of the Restructured Global Environment Facility, 2004).

“Overall Conclusions

“1. The effectiveness of the GEF as the Financial Mechanism of the Convention on Biological Diversity has been maintained or improved over the period of the review (2001 – 2007) in the following areas:

- Allocation of total GEF financial resources to the biodiversity focal area in GEF 3 (July 2002 – June 2006) and in GEF 4 (July 2006 – June 2010) has been maintained at 32%, the same proportion as for the climate change focal area; however, the real value of total GEF contributions, and therefore allocations to biodiversity, has likely declined because of inflation and carryover of unspent funds (maintained)
- Timely availability of GEF funds for approval and implementation of biodiversity (maintained)
- Conformity of the GEF portfolio of project activities to CBD guidance (maintained)
- Responsiveness and alignment of the GEF biodiversity focal area strategy with CBD objectives and programs of work (improved)
- A rebalancing of GEF project activity from strong emphasis on biodiversity conservation in Protected Areas - CBD Objective 1, to more projects and volume of resources accessed for sustainable use activities - CBD Objective 2 (improved)
- Establishment of an independent GEF Evaluation Office, reporting to the GEF Council, producing an appropriate suite of evaluation products which inform GEF decision making (improved)
- Recent initiatives to strengthen the cooperation between the GEF Secretariat and the CBD Secretariat (improved)
- The Monitoring and Evaluation systems established by the GEF Council have improved substantially over the period of the review and are complete and appropriate in most aspects; evaluation products are timely and aid GEF decision making; gaps in implementation include the quality of project evaluations from Implementing Agencies, and further development and application of biodiversity project tracking tools (improved).

“2. Additional improvements have been recently undertaken by the GEF, for which it is premature to determine their impact on effectiveness of the Financial Mechanism:

- Streamlined project cycle, approved in June 2007 by GEF Council – a key concern of the CBD COP on effectiveness of the since COP IV (1998)

- Results management framework approved in June 2007, including application of biodiversity tracking tools for protected areas and biodiversity mainstreaming starting in GEF-3, and for all four strategic objectives in GEF-4¹
- Implementation of the Resource Allocation Framework under the 4th Replenishment. Preliminary findings of the current review on implementation of the RAF are:
 - The RAF could potentially increase the share of GEF biodiversity resources accessed by mega-diverse countries, as well as by small island developing states (SIDS) and least developed countries (LDCs);
 - Mega-diverse countries have utilized a substantially larger portion of GEF biodiversity resources allocated to them under the RAF compared to countries with economies in transition (EITs), least developed countries (LDCs) and small island developing states (SIDS) in the first year of implementation.

“3. The following areas of GEF operations need improvement to strengthen the effectiveness of the Financial Mechanism:

- Timeliness in addressing some key GEF effectiveness concerns identified by the COP (e.g., project cycle streamlining)
- GEF Reports to the Conference of the Parties to extend beyond conformity reporting to demonstrating the contribution that the GEF funding has made to achieving the objectives of the Convention through support for the incremental costs of conserving and sustainably using globally significant biodiversity
- Better implementation of specific obligations under the Memorandum of Understanding between the Conference of the Parties of the CBD and the Council of the GEF will improve the effectiveness of the financial mechanism. Areas for improvement include the governing bodies acting fully on their respective responsibilities (e.g. COP providing an assessment of funds needed to the GEF Council for each replenishment, and the GEF Council reporting on outcomes and results of funded activities; and, improved, formalized mechanisms for more systematic cooperation between the respective Secretariats, building on the recent initiatives of the CEO of the GEF and the Executive Secretary of the CBD)
- Improved GEF reporting to the CBD COP to demonstrate GEF progress and results achieved in meeting the objectives of the Convention and supporting implementation of the Conventions programmes of work.

“4. CBD initiatives and COP decisions have contributed to improvements in the effectiveness of the Financial Mechanism:

- COP decisions on the Strategic Plan of the Convention and the Framework for Monitoring of achievement of the 2010 Biodiversity Target, and on specific programmes of work, have contributed to alignment of the GEF biodiversity strategic objectives and strategic programs with COP decisions.

¹/ Tracking tools are developed for two strategic objectives of the GEF-4 biodiversity strategy. Tracking tools for the third and fourth strategic objectives of the GEF-4 biodiversity strategy are currently under development.

“5. There is a need for further improvements in the formal COP Guidance to the Financial Mechanism:

- To make such guidance strategic, coherent, and prioritized to guide programming and project development for the GEF biodiversity focal area
- To provide guidance on funding requirements for the Financial Mechanism to assist developing country parties, and parties with economies in transition to fulfill their obligations under the convention
- To align CBD decisions with the GEF replenishment process, beginning with the 5th Replenishment negotiations to begin in 2009.
- The CBD COP and SCBD do not make adequate use of the GEF’s monitoring and evaluation products and results to support and improve the work of the Convention, including the provision of COP Guidance to the GEF. There is no mechanism for ensuring that GEF monitoring and evaluation reports are formally transmitted to the COP.

“6. Proposed improvements on streamlining the guidance provided by the COP to the GEF, contained in the Recommendations of the 2nd meeting of the Working Group on the Implementation of the Convention, and augmented by a determination of funding requirements, would help address these weaknesses, if adopted by the Parties at COP IX.

“7. The Memorandum of Understanding between the CBD COP and the Council of the Global Environment Facility, agreed in 1996, has been partially implemented. Both the GEF and CBD have met a number of their respective obligations. Opportunities remain with both the GEF and the CBD to strengthen the effectiveness of the GEF as the Financial Mechanism of the CBD, through full implementation of the MoU.

“Recommendations

“1. The Review recommends that the GEF Council and the CBD COP ensure that their respective decision-making processes, including the GEF Replenishment process, meetings of the COP, and meetings of the GEF Council, are aligned in time and are fully informed by the decisions of the other body.

“2. The Review recommends that the CBD and the GEF work to fully implement the Memorandum of Understanding between the CBD COP and the GEF Council through:

- a. The GEF Council strengthening its reporting to the CBD COP to extend beyond on activities-based reporting to results-based reporting on the contribution that the GEF funding makes to achieving the objectives of the Convention
- b. The CBD COP providing clear, prioritized guidance including on funding requirements for the GEF in its role to support global benefits
- c. Strengthening inter-secretariat cooperation.

“3. To strengthen inter-secretariat cooperation for improved implementation of the Memorandum of Understanding between the CBD COP and GEF Council, the Review recommends that the Executive Secretary of the CBD and the CEO of the GEF develop and implement a plan for more systematic and regular processes of cooperation between the Secretariats. This plan can build on initiatives taken

recently to strengthen cooperation, and those which have been successful in the past. Elements of such a plan can include:

- a. An annual meeting of the GEF CEO with the Bureau of the Convention;
- b. Participation by the SCBD in the work to develop the biodiversity strategy for the 5th replenishment. This could include CBD participation on a technical advisory group as was employed during the finalization of the GEF-4 biodiversity strategy;
- c. Continuing and widening the participation of CBD Secretariat scientific and technical staff on steering committees of GEF biodiversity projects that are of particular importance to the Convention processes at the invitation of the GEF Implementing Agencies and the GEF Secretariat; and
- d. Conduct of annual meetings of GEF Secretariat biodiversity staff with CBD Secretariat staff responsible for CBD programs of work referenced in the GEF's Biodiversity Strategic Programmes.

“4. The Review recommends that the COP adopt a substantive four-year framework for programming related to the utilization of GEF resources, which sets clear priorities, timelines and indicators of progress against which results can be reported by the GEF, and that the framework build on the CBD Strategic Plan and the GEF 4 Biodiversity Strategic Objectives and Strategic Programs to achieve maximum alignment and effectiveness.

“5 The Review recommends that the COP analyse and make a request to the GEF Trust Fund for the amount of funds, consistent with the global benefits mandate of the GEF, that are necessary to assist developing countries, and countries with economies in transition to fulfill their commitments under the convention. This should be formally transmitted to the GEF Council in order to be included in the negotiations for the 5th Replenishment, and future replenishments.

“6. The Review recommends that the GEF improve its reporting to the CBD to advance beyond demonstrating conformity of GEF activities with COP Guidance to demonstrating the contribution that the GEF makes to achieving the objectives of the Convention and its programmes of work. In order to give effect to this recommendation, we recommend that:

- a. The COP, in consultation with the GEF, specify the form and nature of results-based reports it expects from the GEF in its Guidance to the GEF – and maintain a set format for the period of each Replenishment
- b. The GEF reports to the COP focus on progress and results achieved against the three CBD objectives, the Strategic Plan of the Convention, the obligations of Parties under the Convention (e.g. national reports), as well as progress and results in support of the Cartagena Biosafety Protocol.

“7. The Review recommends that the CBD COP adopt a 4-year financing plan for implementation of the Convention, which specifies the roles and level of expected financing at the national, regional and international levels, from the GEF including co-financing, from national governments, from bilateral and multi-later donor agencies, and from private sources. This would provide a realistic assessment of demand as a basis for the resource mobilization strategy which is currently under development.

“8. The Review recommends that the CBD COP request the GEF Council to formalize an appropriate and ongoing role for the GEF in assisting resource mobilization for the Convention on Biological Diversity.

“9. The Review recommends that the Mid-Term Review of the Resources Allocation Framework assess the reasons for the initial low level of utilization of GEF biodiversity resources by SIDS, LDCs, and EITs, including implementation factors such as capacity constraints and factors related to the design of the RAF.

“10. The Review recommends that the GEF develop improved data sets and web-based data tools to allow for improved reporting on GEF projects, and access to biodiversity portfolio information by Parties and other stakeholders. These data should be presented by CBD objectives and CBD programmes of work, as well as by GEF biodiversity strategic objectives and strategic programmes. This will allow for improved reporting to the COP by the GEF Council, and for Parties and stakeholders to determine GEF’s contribution to implementation of the Convention.

“11. The Review recommends the GEF EO undertake a thorough review of how sustainability is addressed and assured in the GEF biodiversity focal area at all levels, including in the development and application of the strategic programmes for biodiversity, project design and implementation, and evaluation of programmes and projects. This review needs to involve a range of stakeholders with expertise and experience in project and environmental sustainability, including those actively working with the CBD.

“12. The Review recommends that the COP request the GEF Council to formally recognize and elaborate, in the GEF Monitoring and Evaluation Policy, the role of the GEF monitoring and evaluation system in supporting the CBD and the other conventions for which it serves as the financial mechanism.

“13. The Review recommends that the COP request the GEF Council to transmit all relevant GEF evaluations as separate reports, as well as summaries of each evaluation report as a chapter of each GEF report to the COP, in order for these to be considered as COP documents.

“14. The Review recommends that the COP, with the assistance of the SCBD, GEFEO and GEFSec, put in place an enhanced monitoring and evaluation function to improve information flow on GEF monitoring and evaluation results to inform COP decision making and the implementation of the Convention.”

III. RECOMMENDATIONS

5. The following draft decision is proposed, after consultation with the Global Environment Facility, for consideration by the ninth meeting of the Conference of the Parties:

“The Conference of the Parties,

“Recalling Article 21, paragraph 3, of the Convention,

“Recalling also the Memorandum of Understanding between the Conference of the Parties and the Council of the Global Environment Facility,

“Having reviewed the report of the Global Environment Facility to the ninth meeting of the Conference of the Parties,

“*Having considered* the independent report on the third review of the effectiveness of the financial mechanism of the Convention,

“1. *Notes* the reform measures introduced by the Chief Executive Officer of the Global Environment Facility to improve relevance and responsiveness of the financial mechanism;

“2. *Decides* to continue to explore ways and means to improve the effectiveness of providing guidance to the financial mechanism, including four-year frameworks for programme priorities related to utilization of GEF resources for biodiversity, coinciding with replenishments of the Trust Fund of the Global Environment Facility;

“3. *Requests* the Council of the Global Environment Facility to take the following action in order to improve the effectiveness of the financial mechanism:

(a) Improve results-based reporting on the GEF contribution to financing the incremental costs of achieving the Convention’s objectives;

(b) Report on implementation of the four-year framework for programme priorities related to utilization of GEF resources for biodiversity to the tenth meeting of the Conference of the Parties;

(c) Enhance the role of the Global Environment Facility in mobilizing resources for achieving the Convention’s objectives;

(d) Address capacity constraints, especially in small island developing States, least developed countries and countries with economies in transition, and factors related to the design and implementation of the Resource Allocation Framework;

(e) Improve project information system including data sets and web-based data tools to allow for increased accessibility and better tracking against the guidance from the Conference of the Parties;

(f) Promote exchange of experience and lessons learned in addressing sustainability of funded projects on biological diversity;

(g) Recognize and elaborate, in the monitoring and evaluation policy of the Global Environment Facility, the role of the conventions for which it operates the financial mechanism, including formal transmission of well-summarized evaluation products and full evaluation reports relevant to biological diversity to the Conference of the Parties;

(h) Include in its regular report findings, conclusions and recommendations of all relevant evaluations of the GEF Evaluation Office;

“4. *Encourages* the Executive Secretary, the Chief Executive Officer of the Global Environment Facility and the Director of the GEF Evaluation Office to continue to strengthen inter-secretariat cooperation on policy formulation, project development and oversight, as well as monitoring and evaluation;

“5. *Requests* the Executive Secretary to, for consideration by the tenth meeting of the Conference of the Parties:

(a) To conduct, in consultation with the Global Environment Facility, a preliminary assessment of the amount of funds that are necessary to assist with the implementation of the Convention for the sixth replenishment period of the Trust Fund of the Global Environment Facility;

(b) To prepare, in consultation with the GEF Evaluation Office, a proposal on the terms of reference including cost options for the fourth review of the effectiveness of the financial mechanism.”
