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Item 4.3-4.4 of the provisional agenda*

GUIDANCE TO THE FINANCIAL MECHANISM:

Four-year framework of programme priorities; review of the effectiveness of the financial mechanism and needs assessment for the sixth GEF replenishment cycle

Note by the Executive Secretary

INTRODUCTION

1. At its tenth meeting, the Conference of the Parties considered guidance to the financial mechanism, adopted the terms of references for a full assessment of the amount of funds needed for the implementation of the Convention for the sixth replenishment period of the Global Environment Facility Trust Fund, and for the preparation for the fourth review of the effectiveness of the financial mechanism and development of a four-year outcome oriented framework of programme priorities. Decisions X/24 to X/27 contain several provisions for consideration by the eleventh meeting of the Conference of Parties.
2. In paragraph 7 of decision X/24 (review of guidance to the financial mechanism), the Conference of Parties decided to adopt at its eleventh a four-year outcome-oriented framework of programme priorities, taking into account the Strategic Plan for Biodiversity 2011-2020, including its Aichi Biodiversity Targets and associated indicators.
3. In accordance with decision X/26 (The financial mechanism: assessment of the amount of funds needed for the implementation of the Convention for the sixth replenishment period of the Global Environment Facility Trust Fund), the fourth meeting of the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention considered the expert team's assessment report and requested its finalization for consideration by the eleventh meeting of the Conference of the Parties.
4. In decision X/27 (Preparation for the fourth review of the effectiveness of the financial mechanism), the Conference of the Parties adopted the terms of reference for the fourth review of the effectiveness of the financial mechanism, and decided also to consider further actions, as necessary, to improve the effectiveness of the financial mechanism of the Convention, at the eleventh meeting of the Conference of the Parties.

* UNEP/CBD/COP/11/1

5. The present note has been prepared to facilitate the consideration of the financial mechanism by the eleventh meeting of the Conference of Parties. Section I responds to paragraph 7 of decision X/24 on the four-year outcome oriented framework. Section II responds to decision X/26 by providing the needs assessment report of the expert team. Section III provides an update on the preparation for the fourth review of the effectiveness of the financial mechanism. The recommendations are contained in the final section.

I. FOUR-YEAR FRAMEWORK OF PROGRAMME PRIORITIES

A. Introduction

6. In decision X/24, the Conference of the Parties decided that its guidance to the financial mechanism, for a specific replenishment period, consists of a consolidated list of programme priorities that defines what is to be financed, and an outcome oriented framework, taking into account the Strategic Plan for Biodiversity 2011-2020, including its Aichi Biodiversity Targets and associated indicators (paragraph 4), and decided to adopt a four-year framework for the period 2014-2018 at its eleventh meeting (paragraph 7).

7. In the same decision, the Conference of the Parties invited Parties and relevant stakeholders, including indigenous and local communities, to submit information and views on the further development of programme priorities, taking into account the Strategic Plan, for compilation by the Executive Secretary and consideration by the fourth meeting of the Working Group on Review of Implementation (paragraph 5). The Executive Secretary communicated this invitation by notification 2011-072 dated 1 April 2011. Submissions were subsequently received from the European Union, India, Kuwait, and the United Nations Environment Programme. They were made available at: <http://www.cbd.int/financial/news/> and synthesized in document UNEP/CBD/WG-RI/4/7.

8. In paragraph 1 of recommendation 4/3, the fourth meeting of the Working Group on Review of Implementation¹ requested the Executive Secretary, in consultation with Parties and the Global Environment Facility, to develop a new four-year outcome-oriented framework of programme priorities for consideration at the eleventh meeting of the Conference of Parties, taking into account the following elements:

(a) The Strategic Plan for Biodiversity 2011-2020, including its Aichi Biodiversity Targets and associated indicators;

(b) The draft report on the full assessment of the amount of funds that are necessary to assist developing countries and countries with economies in transition for the sixth replenishment period of the Global Environment Facility Trust Fund on the understanding that it is a preliminary draft report and will likely be adjusted;

(c) Assessment of current GEF results, remaining programming gaps that need to be met and prioritization of key programming areas;

(d) The need for strengthening capacity-building initiatives;

(e) Further implementation of the Cartagena Protocol on Biosafety;

(f) Implementation of the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of the Benefits Arising from Their Utilization.

9. Further to the request of the Working Group to consult with Parties and the Global Environment Facility, the Executive Secretary sent notification 2012-090 dated 11 June 2012 inviting the submission of views on the new four-year outcome-oriented framework of programme priorities for GEF-6 by 30 June 2012. A submission transmitting such views was subsequently received from Canada; ² in addition, the

¹ See document UNEP/CBD/COP/11/4, page 26.

² The submission is made available at <http://www.cbd.int/financial/doc/canada-framework-programme-priority-gef6-en.pdf>.

views provided in the earlier submissions from the European Union, India, and Kuwait were taken into consideration, together with the results of informal consultations with the GEF Secretariat.

10. The remainder of this section summarizes the salient points resulting from the informal consultations with the GEF Secretariat, as well as made in the submissions, which are of relevance for the development of the four-year outcome-oriented framework of programme priorities 2014-2018, and thus provides the rationale for the specific format of the suggested framework.

11. The suggested four-year outcome-oriented framework of programme priorities 2014-2018 is provided in the annex to the present note.

B. Suggested format of the four-year outcome-oriented framework of programme priorities 2014-2018

12. In the informal consultations with the GEF Secretariat, it was highlighted that the new Strategic Plan for Biodiversity already constitutes, for the next eight years, an outcome-oriented programming framework that identifies, through its Aichi Targets, priorities at global level. The challenge will be, for GEF-6, to develop a robust four-year strategy and monitoring system to track investments, outputs and outcomes against the five goals and the 20 Aichi Biodiversity Targets of the Strategic Plan for Biodiversity 2011-2020. The four-year strategy for GEF-6 will be the first of two strategies that will cover the remaining six years of the new Strategic Plan.

13. This strategy will reflect the new Strategic Plan and the Aichi targets, while taking full advantage of the potential synergies and added value that may be provided from the other relevant GEF focal areas. Developing a strategy and a results based management framework that responds to these challenges and opportunities, including for instance by developing suitable clustering of targets, will be a complex task requiring intensive dialogue among, and full engagement of, key stakeholders involved in the replenishment process, including the CBD Secretariat, as has been the custom with recent strategy development processes in the biodiversity focal area.

14. In light of these observations, it is suggested to define the four-year outcome-oriented framework of programme priorities 2014-2018 as being constituted of different elements, a central one of which would be the Strategic Plan for Biodiversity 2011-2020 and its Aichi targets. The approach taken in paragraph 16 of UNEP/CBD/WG RI/4/7, which mapped the earlier four-year framework (adopted by COP-9 for 2010-2014), the GEF-5 biodiversity strategy and the corresponding Aichi goals and targets, provides a suitable starting point for building the new GEF-6 biodiversity strategy for 2014-2018.

15. Pursuant to the list provided in recommendation 4/3 of the Working Group on Review of Implementation, the other elements would be:

(a) The Strategic Plan for the Cartagena Protocol on Biosafety for the period 2011-2020 (decision BS-V/16);

(b) The guidance to the financial mechanism on programme priorities to support the implementation of the Nagoya Protocol on Access and Benefit-sharing put forward by the Second meeting of the Intergovernmental Committee for the Nagoya Protocol³.

16. An important purpose of the four-year outcome-oriented framework is to assist in monitoring GEF investments, outputs and outcomes against the Strategic Plan. It would therefore be useful for the four-year outcome-oriented framework of programme priorities 2014-2018 to also take into consideration:

(a) The indicative list of indicators available to assess progress towards the goals of the Strategic Plan for Biodiversity 2011-2020 and the Aichi Biodiversity Targets as contained in the expected decision by the eleventh meeting of the Conference of the Parties;⁴

³ See recommendation II/1 of the Second meeting of the Intergovernmental Committee for the Nagoya Protocol (UNEP/CBD/COP/11/6) for consideration by COP 11.

(b) Any further refinements of these indicators, or development of additional indicators, resulting from future work under the Convention, such as from the work of the Ad hoc Open-ended Working Group on Article 8(j) and Related Provisions on the development of indicators relevant for traditional knowledge and customary sustainable use;⁵ and

(c) The current set of output, outcome and impact indicators, and associated monitoring processes and tracking tools, currently in use by the GEF.

17. This is by recognizing that these indicators provide a starting point to assess progress in the achievement of the Strategic Plan for Biodiversity 2011-2020 at various scales.

Review of submissions

18. The Government of **Canada** expressed the view that the new four-year programming framework should focus on filling the highest priority gaps associated with the Strategic Plan for Biodiversity 2011-2020 and its 20 Aichi Targets, and pointed to an initial analysis of areas that have been provided with the most GEF support (in terms of number of projects), and of areas which received the least support. The submission encourages conducting a complete analysis which would allow to put forth a sound, evidence-based framework of programme priorities for GEF-6. It is suggested to reflect the need to focus on filling the highest priority gaps associated with the Strategic Plan for Biodiversity 2011-2020 and its 20 Aichi Targets in the four-year outcome-oriented framework.

19. In its earlier submission, the **European Union** expressed the view that it is entirely up to the Conference of the Parties to define new strategic directions and programme priorities if warranted by changing situations and/or on the basis of scientific and other studies, and that guidance elaborated by the Conference of the Parties at its eleventh meeting, if so decided, would therefore contain an important part of the strategy and programme priorities. The European Union underscored the importance of providing guidance to the GEF in a systematic way, with guidance on strategy and programme priorities becoming especially relevant at meetings of the Conference of the Parties that precede the replenishment negotiations of GEF, because they are the ideal moment to deliver direct input into the Biodiversity Focal Area Strategy which gets updated during the replenishment process. The suggested format for the four-year outcome-oriented framework would be consistent with this view.

20. The Government of **India** referred to the relationship between national planning process and global biodiversity targets, by noting that India's National Biodiversity Action Plan 2008 already has several elements of the Aichi Targets, thus enabling synergies between the national planning process and global biodiversity targets. The submission reckoned that such a method of developing program priorities would help to channel resources for achieving the Aichi Targets. In the context, it would be useful to recall, as a general principle, that the Aichi Biodiversity Targets and the proposed indicator framework provide a flexible basis for Parties which can be adapted, taking into account different national circumstances and capabilities, including in revised national biodiversity strategy and action plans, and that the GEF-6 strategy needs to take into account national targets and programme priorities set out in revised National Biodiversity Strategy and Action Plans.

21. The Government of **Kuwait** underscored that the framework, as a priority, should accelerate provision of expertise, technical support and necessary funding for the Parties to the Convention in order to update and pursue the implementation of the 2011-2020 national biodiversity strategies and action plans, in accordance with the Strategic Plan for Biodiversity 2011-2020 adopted by the Convention. The suggested format would be consistent with this view.

⁴ See agenda item 3.3.

⁵ See recommendation 7/7 in document UNEP/CBD/COP/11/7.

ELEMENTS OF A DRAFT DECISION RELATED TO THE FOUR-YEAR FRAMEWORK OF PROGRAMME PRIORITIES

Main elements from recommendation 4/3

22. The main draft decision elements related to the review of implementation of the strategy for resource mobilization are contained in paragraph 2 of recommendation 4/3 of the fourth meeting of the Ad Hoc Open-ended Group on the Review of Implementation of the Convention (UNEP/CBD/COP/11/4) and are also available in the compilation of decisions (UNEP/BD/COP/11/1/Add.2)

II. ASSESSMENT REPORTS OF THE AMOUNT OF FUNDS NEEDED FOR THE IMPLEMENTATION OF THE CONVENTION FOR THE SIXTH REPLENISHMENT PERIOD OF THE GLOBAL ENVIRONMENT FACILITY TRUST FUND

23. The Ad Hoc Open-ended Working Group on Review of Implementation of the Convention, at its fourth meeting - requested the expert group, with the support of the Executive Secretary, to further develop the report (UNEP/CBD/WG-RI/4/INF/10), taking into account the following, for the consideration of the Conference of the Parties at its eleventh meeting:

(a) The views expressed by Parties and observers at the fourth meeting of the Working Group on Review of Implementation of the Convention;

(b) Additional views submitted by Parties, other Governments and organizations prior to 30 June 2012;

(c) Work conducted by the High-level Panel on Global Assessment of Resources for implementing the Strategic Plan, co-sponsored by India and the United Kingdom;

(d) Other relevant technical information on the costs of implementing the Strategic Plan for Biodiversity 2011-2020 and achieving the Aichi Biodiversity Targets.

24. Parties provided their views in response to the Executive Secretary's notification (SCBD/ITS/RS/DC/fb/80164) on issues that arose from the fourth meeting of the Ad Hoc Working Group of Implementation of the Convention. Official submissions were received from the European Union and Canada, though no further responses were received to the GEF-6 questionnaire following WGRI-4.

25. In response to paragraphs 6 in the annex to decision X/26, the Global Environment Facility and the Executive Secretary conducted a review of the draft assessment report of the Expert Team and concluded that the methodology used by the Expert Team was guided by the terms of reference (decision X/26) and was consistent across all the 20 Aichi Biodiversity Targets. A step-wise approach was applied to the 20 Aichi Targets and Biosafety by identifying the relevant COP decisions and guidance to the financial mechanism, and selecting activities depending on their strategic importance to achieve the Target.

26. Activities were identified that are essential to be publicly funded taking into account national responsibilities and obligations according to the CBD provisions as well as excluding activities with direct economic returns and potential private sector engagement. GEF-eligibility of selected activities, and estimates of funding needs through the use of information from literature, examples of funding from similar GEF projects and other funding institutions, and expert opinion were justified. To enable selection of the most viable option, a range of funding estimates – so called scenarios based on levels of ambition - was generated for each activity by taking into account absorptive and delivery capacities of GEF-eligible countries for the results. Based on GEF's incremental reasoning rule, a percentage was determined to justify the achievement of global environmental benefits with the selected activity. The total estimates for each Target were then summarized. Finally, three Trust Fund to co-financing ratios were applied to present options on the amount that would be required for the GEF-6 replenishment of the GEF Trust Fund to cover expected incremental costs.

27. The assessment report recognizes data and knowledge gaps which could not be filled within the given timeframe of the study. The study could not clearly identify the gaps in measures or activities that have previously been funded by Parties, the GEF and other organizations since 2010 to reach a certain level of achievement under each Target. This made it difficult to assess the remaining funding gap. Data gaps were also encountered in assessing the varying needs and cost structures of different countries to implement selected activities; hence, assumptions on average costs were taken into account.

28. The estimates of funding needs are also based on literature, examples, and experience from the GEF and other funding institutions, as well as expert opinion as there were few submissions by Parties. Given limited time, capacity, and resources, further research will be needed to adjust assumptions for funding estimates. It is also expected that results from the High-level Panel on Global Assessment of Resources for Implementing the Strategic Plan for Biodiversity 2011-2020 will provide additional and complementary information that can also serve the GEF-6 assessment.

29. Regarding availability of funding the Expert Team was unable to predict the amounts that would be available at the time of replenishment and limited themselves to highlighting the trend in past GEF replenishment.

**SUMMARY OF THE ASSESSMENT REPORT OF THE AMOUNT OF FUNDS NEEDED FOR
THE IMPLEMENTATION OF THE CONVENTION FOR THE SIXTH REPLENISHMENT
PERIOD OF THE GLOBAL ENVIRONMENT FACILITY TRUST FUND**

30. At its tenth meeting, the Conference of Parties adopted the terms of reference for a full assessment of the amount of funds that are necessary to assist developing countries and countries with economies in transition, in accordance with the guidance provided by the Conference of the Parties, in fulfilling their commitments under the Convention for the sixth replenishment period of the GEF Trust Fund, as contained in the annex to decision X/26. The sixth replenishment of GEF is expected to cover the period July 2014-June 2018, and discussions leading to an agreement by the GEF Assembly are expected to commence in late 2012.

31. Other relevant activities are being undertaken pursuant to decisions X/3 and X/24 as follows:

(a) Work carried out pursuant to decision X/3 to assess existing expenditures on biodiversity. A preliminary reporting framework was developed to assist Parties in providing data on resource mobilization according to the indicators adopted in decision X/3. In light of the comments and experience in using the preliminary reporting framework by twenty five Parties, namely Belgium, Bulgaria, Canada, China, Denmark, Ecuador, Estonia, Ethiopia, the European Union, Finland, France, Germany, Grenada, India, Italy, Japan, Kuwait, Mexico, Myanmar, Netherlands, Norway, Poland, Spain, Sweden and Switzerland, the reporting framework has been subsequently revised and is available as UNEP/CBD/COP/11/14/Add.1 (UNEP/CBD/COP/11/14).

(b) Preparation of a four-year outcome-oriented framework of programme priorities for GEF-6 for adoption at the eleventh meeting of the Conference of the Parties, and subsequently for consideration during the sixth replenishment of the Global Environment Facility Trust Fund. In line with paragraphs 6 and 7 of decision X/25, the outcome-oriented framework should take into account the Strategic Plan for Biodiversity 2011-2020, including its Aichi Biodiversity Targets and associated indicators, as well as the outcome of a review of GEF-5;

(c) Work being carried out by the High-level Panel on Global Assessment of Resources for implementing the Strategic Plan for Biodiversity 2011-2020. In order to inform discussions on target setting, the Governments of India and the United Kingdom co-sponsored an assessment of the financial resources needed to implement the Strategic Plan for Biodiversity 2011-2020 and achieve the Aichi Biodiversity Targets. The assessment draws upon the work of experts working on specific targets or thematic clusters guided by a regionally-balanced High-level Panel. A summary from the High-level Panel on Global Assessment of Resources for implementing the Strategic Plan for Biodiversity 2011-2020 is contained in UNEP/CBD/COP/11/14/Add.2.

32. The fourth meeting of the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention (WGRI-4), that took place in Montreal on 7-11 May, 2012, considered the expert team's preliminary assessment report that was presented as an Information Document (UNEP/CBD/WG-RI/4/INF/10) and the draft summary of the report as an annex to the official document: *The Financial Mechanism: Review of GEF-5 and Needs for GEF-6* (UNEP/CBD/WG-RI/4/7) and made recommendations for the review of the assessment.

33. At the WGRI-4 session the following Parties expressed their views verbally on the preliminary report: Australia, China, Ethiopia, Jordan, Norway, South Africa, Thailand, and Tunisia. Canada and the European Union provided their official written submissions to the CBD Secretariat as well. The submissions contained specific comments regarding approach, existing funding, the application of GEF's rules on eligibility and incremental reasoning, co-financing, overlap and synergies of targets among others. All comments were considered by the Expert Team, while finalizing the study.

34. The Conference of the Parties at its eleventh meeting, is to determine and transmit to the Global Environment Facility the assessment of the amount of funds that are necessary to assist developing countries and countries with economies in transition, in accordance with the guidance provided by the Conference of the Parties, in fulfilling their commitments under the Convention over the sixth GEF replenishment cycle, for consideration by the Global Environment Facility, so that the Facility will in its regular report to the Conference of Parties indicate how it has responded during the replenishment cycle to the previous assessment by the Conference of the Parties.

Terms of reference, methodology and process

35. In accordance with the terms of reference (decision X/26), a team of five experts were appointed based on nominations received from Parties and discussion at the meeting of the COP Bureau. The five experts represent a broad expertise in financing biodiversity activities and are divided equally between developed and developing countries in addition to an NGO representative agreed by the CBD Alliance and the GEF NGO Network.

36. Five expert meetings were held, in Montreal (2 meetings), Tokyo, Quito, and Cambridge supported by the Secretariat staff and joined by representatives of the GEF Secretariat, inter alia through video link. In between consultations were held on a regular basis using electronic means. Generous funding was provided by the Government of Japan and the Netherlands for holding the meetings. The assessment was conducted by the Expert Team without any monetary compensation for the time they allocated for the assessment; and their generous contribution is highly appreciated. The experts and their organizations contributed their time to the assessment without any charge to the Convention on Biological Diversity.

37. The GEF's incremental reasoning rule was applied throughout the assessment. GEF's mandate is to finance the agreed incremental costs of projects related to the provision of global environmental benefits. Hence, GEF projects generally fulfil incremental and catalytic roles by making a difference to the business-as-usual process in bringing together public resources from different levels and private resources, such as from NGOs and foundations. In addition, GEF Implementing Agencies mobilise co-financing as part of all projects. Hence, the GEF Trust Fund grant to co-financing ratio reflects the nature of each project, global environmental benefits that are to be generated, incremental costs to achieve the global environmental benefits, nature of the baseline which the project complements, and the presence and contributions of other co-financiers. In practice, the GEF as a *facility* seeks to leverage the maximum amount possible. The ratio of the GEF Trust Fund to co-financing has thus ranged from 1:2 to as high as 1:10 in the biodiversity focal area with an average amount of 1:4 currently. This ratio is partly driven by possible negotiations among participants involved.

38. The methodology the Expert Team used was guided by the terms of reference (decision X/26). A step-wise approach was applied to the 20 Aichi Targets and Biosafety by identifying the relevant COP decisions and guidance, selecting the activities depending on their *strategic importance* to achieve the Target. Activities were identified as essential to be *publicly funded* taking into account national responsibilities and obligations according to CBD provisions as well as excluding activities with direct

economic returns and potential private sector engagement. GEF-eligibility of selected activities, and estimates of funding needs through the use of information from literature, examples of funding from similar GEF projects, and expert opinion were justified. To enable selection of the most viable option, a *range of funding estimates* – so called scenarios based on levels of ambition - was generated for each activity by taking into account *absorptive and delivery capacities* of GEF-eligible countries for the results. Based on GEF's incremental reasoning rule, a percentage was determined to justify the achievement of global environmental benefits with the selected activity. The total estimates for each Target were then summarized. Finally, *three co-financing ratios* were applied to present options on the amount that would be required for the GEF-6 replenishment of the GEF Trust Fund to cover expected incremental costs.

39. According to the terms of reference (decision X/26), a questionnaire seeking information on country-specific financial needs in addition to the Target-by-Target survey was developed and circulated to Parties with Notification SCBD/ITS/RS/ESE/fb/77838 on 7th October 2011. All GEF-eligible Parties were asked what proportion of their total funding needs they *expected from the GEF* or other external and domestic sources and from which sources they expected to get the funds. At the WGRI-4 meeting in Montreal, 7-20 May 2012, all eligible countries have been reminded and encouraged to participate. Ultimately, nine countries completed the questionnaire as of 7 September 2012: Ecuador, Madagascar, India, Bangladesh, Grenada, Federated States of Micronesia, Myanmar, Colombia, and Brazil. The CBD Secretariat appreciates their timely responses. Some of the responses were, however, not complete or presented with some format change. Since the number of responses was not statistically representative, the responses could not form the basis from a country-level perspective to better estimate the GEF-6 funding needs. In the follow-up to this report more countries are requested to submit their completed questionnaire to help understand their country specific funding needs and gaps in order to broaden the evidence for guiding the GEF-6 replenishment process.

40. In parallel to the GEF-6 funding needs assessment the Government of the United Kingdom and India co-sponsored a High Level Panel global assessment of the resources required to implement the Strategic Plan for Biodiversity 2011-2020 and achieve the Aichi Biodiversity Targets. The Expert Team members worked closely together with the High Level Panel cluster groups to ensure consistency between the two assessments. The Panel cluster groups were informed about the preliminary results of the GEF-6 financial needs assessment. Similarly, the results from the High-level Panel global assessment somehow complemented the results from the GEF-6 funding needs assessment where gaps of information and data were identified. Hence, the two studies have a supplementary and complementary relationship in their assessment of funds needed to implement the Strategic Plan at different levels - the GEF-6 assessment focuses on *incremental costs of GEF eligible activities in GEF eligible countries* while the other high-level panels concentrate on *total global costs* to achieve the Aichi Targets.

41. The following are the key limitations that the Expert Team highlighted in its work.

The present GEF-6 funding needs assessment was the first exercise of this kind ever to be made and faced a lot of challenges and uncertainties. While Parties will examine the study, the following limitations must be taken into account:

1) On the guidance from COP decisions:

- a) The guidance from COP decisions is very complex and many suitable activities could have been identified and selected for GEF funding. However, it was decided that only strategic activities which contribute to the achievement of a given Target should be focused on, while still recognizing that other activities are also necessary and suitable to fully achieve this Target.
- b) The complex overlap of Aichi Targets had to be taken into consideration in order to avoid double estimation of funding needs; hence, activities were selected so as to minimize overlap as much as possible.

2) On data and knowledge:

- a) Data and knowledge gaps were recognized during the study, but they could not be filled within the given timeframe. Gaps in measures or activities that have previously been funded by Parties, the GEF, other organisations and institutions since 2010 to reach a certain level of achievement under each Target could not clearly be identified. This made it difficult to assess the remaining funding gap.
- b) The estimates of funding needs were based on literature, examples, and experience from the GEF and other funding institutions. Given limited time, capacity, and resources, further research will be needed to adjust assumptions for funding estimates. It is expected that results from the High-level Panel global assessment will provide additional and complementary information that can also serve the GEF-6 assessment.
- c) Data gaps were encountered in assessing the varying needs and cost structures of different countries to implement selected activities; hence, assumptions on average costs were taken into account.

3) On GEF rules and GEF-6 timeframe:

- a) Activities that should have happened under GEF-5 to achieve a certain Target may not have been started or completed yet. Hence, some activities will have to start or continue during the GEF-6 period.
- b) Some activities considered to start under GEF-6 are expected to continue under GEF-7 to facilitate the achievement of the Targets by 2020.
- c) GEF's rule on incremental reasoning and agreed incremental costs can be ambiguous, because the attempt of generating global environmental benefits and the issue of co-financing of a given project often appeared mixed and partly driven by possible negotiations between GEF-eligible countries, implementing agencies, and the GEF Secretariat. Hence, the two issues were separated in the step-wise approach to be more transparent.

4) On country-specific circumstances:

- a) Due to limited time and resources, it was not possible to sufficiently conduct an in-depth analysis of national reports, NBSAPs, and other studies to obtain additional information on country-specific funding needs.
- b) Due to the lack of information, it was very difficult to examine the readiness and absorptive capacity of eligible countries to implement the selected activities.
- c) Given GEF's policy that the application of GEF funds is basically country-driven, the number of countries that may implement the selected activity may vary from activity to activity. Hence, many uncertainties are implied in how countries will take up the proposed activities and thus contribute to the achievement of the Target.

Given these limitations, the study cannot provide a comprehensive or precise assessment of the incremental costs to be needed for the GEF-6 replenishment. Instead, the aim is to adopt a pragmatic approach designed to provide a plausible, transparent, and replicable attempt including scenarios of the likely scale of funding needs for the GEF-6 replenishment period.

Results of the assessment

42. The assessment of the Expert Team estimates that over the four-year GEF-6 period (2014 – 2018) *total funding needs* of between approximately US\$74 billion and US\$191 billion would be required to contribute to achieve the Aichi Biodiversity Targets in GEF eligible countries. These figures focus on the estimated funding needs in GEF-eligible countries only and cover those activities which would be eligible for GEF funding prior to taking into account GEF's incremental reasoning and any co-financing. The break-down by the three scenarios is presented in **Table 1**.

43. Further the assessment estimates that over the four-year GEF-6 period (2014-2018) the amounts needed will range between approximately US\$35 billion and US\$87 billion after applying incremental reasoning percentages between 10% and 100% according to global environmental benefits that the activities will potentially generate. The results by the three scenarios are presented in **Table 1**

44. To calculate the amount needed for the GEF-6 replenishment during the period 2014-2018 the Expert Team applied *three co-financing ratios* (1:2, 1:4, and 1:6) to present options on the amount that may be required of the GEF Trust Fund to cover expected incremental costs. These amounts indicate GEF Trust Fund's share that is expected for the sixth replenishment to leverage additional co-financing to ultimately meet the total funding needs respectively, depending upon a number of factors as elaborated in the methodology. As already mentioned GEF's current average co-financing ratio for the Biodiversity Focal Area is 1:4. Given the fact that the co-financing ratio is subject to possible negotiations and hence cannot be predicted a lower (1:2) and higher (1:6) co-financing ratio is presented alternatively. The 9 options are found in Table 1 under co-financing ratios of 1:2 to 1:6:

Table 1: Options on the Estimated Amount Required for the GEF-6 Replenishment Period

Estimated Amount Needed for the GEF-6 period 2014-2018 <i>before</i> applying incremental reasoning	Estimated Amount Needed for the GEF-6 period 2014-2018 <i>after</i> applying incremental reasoning	Options on the Amount Required of the GEF Trust Fund for the GEF-6 Replenishment to cover Expected Incremental Costs		
		applied co-financing ratios		
		1:2	1:4	1:6
Scenario 1: US\$ 74 billion	Scenario 1: US\$ 35 billion	US\$ 11 billion	US\$ 7 billion	US\$ 5 billion
Scenario 2: US\$131 billion	Scenario 2: US\$ 60 billion	US\$ 20 billion	US\$ 12 billion	US\$ 8 billion
Scenario 3: US\$191 billion	Scenario 3: US\$ 87 billion	US\$ 29 billion	US\$ 17 billion	US\$ 12 billion

Funding needs versus availability

45. According to the terms of reference (decision X/26) the study should also assess the *available* funding. The Expert Team provided information on available funding from various public sources for biodiversity, such as:

- a) Available GEF funding for biodiversity comprised of GEF's Trust Fund and co-financing allocations during the different replenishment periods from the Pilot Phase (1991-1994) to GEF-5 (2010-2014).
- b) Available funding for biodiversity from OECD countries' bilateral aid commitments.
- c) Biodiversity funding from other sectors.
- d) Domestic biodiversity funding in developing countries.

46. The Expert Team presented some conclusions on the issue of available funds versus funding needs for the GEF-6 replenishment period. Based on three Scenarios and the Target-by-Target assessment of the full report, the nine options presented in **Table 1** reflect the expected incremental costs for the GEF Trust Fund's possible funding allocations to support the implementation of the 20 Aichi Targets and Biosafety in the GEF-6 period 2014-2018.

47. The amount available for biodiversity relevant funds in GEF-5 is comprised of several elements. Additional financing that has not yet been included in the US\$ 1.2 billion sum for biodiversity and may contribute to the 20 Aichi Targets are amounts allocated for Sustainable Forest Management / REDD + (US\$ 0.13 billion), partial installments for the International Waters and Land Degradation focal areas, and

the LDCF and the SCCF. Based on the numbers from the GEF Secretariat's report to COP 11 for the period of July 1, 2010 to June 30, 2012 (UNEP/CBD/COP/11/8), it can be expected that an additional 30% could be provided for biodiversity from these areas through project expenditures (US\$ 175 million out of a total US\$ 747 million, related to US\$ 572 million for biodiversity = 30%). This means that the amount available for biodiversity during GEF-5 increases to approximately US\$ 1.6 billion. Table 2 presents the calculated increase in funding needs from GEF-5 to GEF-6 according to the three scenarios and co-financing ratios respectively. Based on the available amounts in GEF-5, the increase ranges from *3-fold* with Scenario 1 and a 1:6 co-financing ratio to *18-fold* under Scenario 3 and a 1:2 co-financing ratio. Under Scenario 2 and with an expected 1:4 co-financing ratio, there is a 7.5 fold increase.

48. In the history of the GEF, the average percentage change from replenishment to replenishment has been 27.7%. Considering the GEF Trust Fund's historical average growth rate from replenishment to replenishment, even the proposed lowest scenarios indicate the need for tremendous growth.

Table 2 Required and Available Amounts from the GEF and calculated increase from GEF-5 to GEF-6

Scenario For GEF-6 Period 2014-2018	Options on the Amount Required of the GEF Trust Fund for the GEF-6 Replenishment to cover Expected Incremental Costs			Available Amount of the GEF Trust Fund in GEF-5 period 2010-2014 to cover Incremental Costs	Calculated Increase from GEF-5 to GEF-6 based on available Amounts in GEF-5		
	applied co-financing ratio			Biodiversity Focal Area US\$ 1.2 bn	according to co-financing ratio		
	1:2	1:4	1:6	Expected contributions from other GEF Focal Areas and Funds: ~ US\$ 0.4 bn	1:2	1:4	1:6
Scenario 1	US\$ 11 bn	US\$ 7 bn	US\$ 5 bn	US\$ 1.6 bn	~ 7 fold	~4.5 fold	~ 3 fold
Scenario 2	US\$ 20 bn	US\$ 12 bn	US\$ 8 bn	US\$ 1.6 bn	~ 12.5 fold	~7.5 fold	~ 5 fold
Scenario 3	US\$ 29 bn	US\$ 17 bn	US\$ 12 bn	US\$ 1.6 bn	~ 18 fold	~11 fold	~ 7.5 fold

49. The full assessment report of the amount of funds needed for the implementation of the Convention for the sixth replenishment period of the Global Environment Facility Trust Fund is presented as UNEP/CBD/COP11/INF/35

ELEMENTS OF A DRAFT DECISION RELATED TO THE GEF-6 ASSESSMENT

Main elements from recommendation 4/3

50. The main draft decision elements related to the review of implementation of the strategy for resource mobilization are contained in paragraph 6 of recommendation 4/3 of the fourth meeting of the Ad Hoc Open-ended Group on the Review of Implementation of the Convention (UNEP/CBD/COP/11/4) and are also available in the compilation of decisions (UNEP/CBD/COP/11/1/Add.2)

III. FOURTH REVIEW OF THE EFFECTIVENESS OF THE FINANCIAL MECHANISM

51. *Consistent* with decision X/27 of the Conference of the Parties, the fourth review was to be presented to the Parties well in advance of the eleventh meeting of the Conference of Parties. However, due to lack of financial resources and to other unexpected delays, the fourth review of the effectiveness of the financial mechanism was contracted but not completed.

52. The fourth meeting of the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention urged the Executive Secretary to effectively implement decision X/27 and prepare the fourth review of the effectiveness of the Financial Mechanism in a timely and efficient manner; and requested the Executive Secretary to examine the possibility of reallocating funds within existing resources to complete this review before the eleventh meeting of the Conference of the Parties, and encouraged donors that are in a position to do so to make urgent pledges to finance the implementation of decision X/27 in time for the report to be presented at the eleventh meeting of the Conference of Parties (WGRI-4, Recommendation 4/3, Section C).

53. In response to Recommendation 4/3 (Section C) of the Ad Hoc Open-ended Working Group on Review of Implementation of the Convention (WGRI-4), the Government of Canada generously contributed the necessary financial resources for the fourth review of the effectiveness of the financial mechanism of the Convention.

54. The Executive Secretary simultaneously advertised on June 23, 2012 to invite experienced consultants to conduct the fourth review of the effectiveness of the financial mechanism of the Convention. Among the required deliverables were:

(a) Draft synthesis report and recommendations to be made available to GEF for its review and comments that will be included in the documentation with identification by source; and

(b) With the support of the Executive Secretary and the GEF, draft decision on the fourth review of the financial mechanism, including specific suggestions for action to improve the effectiveness of the mechanism if necessary, for the consideration of the Conference of the Parties at its eleventh meeting.

55. Based on the evaluation and previous experience 'Stratos Consultants' were offered the consultancy contract pending the conclusion of financial agreement with the Government of Canada. However, in late July, 'Stratos Consultants' withdrew their application due to unexpected departure of key staff members.

56. The Secretariat then considered other consultants, and ICF International submitted a proposal, which has since been accepted. ICF International's task consists of determining and finalising the evaluation methodology, conducting the necessary desk review, collecting stakeholder input, and assessing the information to prepare the draft review report. However, due to the unexpected delay, the consultants can only provide the final review report by 31 December 2012. The review report would therefore be submitted to the fifth meeting of Ad Hoc Open-ended Working Group on Review of Implementation of the Convention.

**ELEMENTS OF A DRAFT DECISION RELATED TO THE FOURTH REVIEW OF THE
EFFECTIVENESS OF THE FINANCIAL MECHANISM**

Elements from recommendation 4/3

1. Further to recommendation 4/3, the Executive secretary proposes the following draft decision elements in response to decision X/27 para 2, 3 and para 10 of the annex to that decision:

The Conference of the Parties,

Requests the Executive Secretary to make available to Parties the report of the fourth review of the effectiveness of the financial mechanism prepared in response to decision X/27 for consideration by the Ad Hoc Open-ended Group on the Review of Implementation of the Convention at its fifth meeting.

*Annex***SUGGESTED FOUR-YEAR OUTCOME-ORIENTED FRAMEWORK OF PROGRAMME PRIORITIES 2014-2018***Objective*

1. The four-year outcome-oriented framework of programme priorities 2014-2018 provides guidance to the Global Environment Facility as the financial mechanism of the Convention in developing a robust strategy and monitoring system for the biodiversity focal area for the sixth replenishment cycle.

Elements

2. In guiding the development of the GEF-6 biodiversity strategy the four-year outcome-oriented framework of programme priorities 2014-2020 consists of the following elements:

(a) The Strategic Plan for Biodiversity 2011-2020, including its Aichi Biodiversity Targets (decision X/2, annex);

(b) The Strategic Plan for the Cartagena Protocol on Biosafety for the period 2011-2020 (decision BS-V/16);

(c) Programme priorities to support the implementation of the Nagoya Protocol on Access and Benefit-sharing⁶,

while also taking into account

(d) The indicative list of indicators available to assess progress towards the goals of the Strategic Plan for Biodiversity 2011-2020 and the Aichi Biodiversity Targets as contained in the expected decision by the eleventh meeting of the Conference of the Parties, as they provide a starting point to assess progress in the achievement of the Strategic Plan for Biodiversity 2011-2020 at various scales;

(e) Any further refinements of these indicators, or development of additional indicators, resulting from future work under the Convention, such as from the work of the Ad hoc Open-ended Working Group on Article 8(j) and Related Provisions on the development of indicators relevant to traditional knowledge and customary sustainable use; and

(f) The current set of output, outcome and impact indicators, and associated monitoring processes and tracking tools, currently in use by the GEF.

Guiding Principles

3. The Aichi Biodiversity Targets and the indicative list of indicators provide a flexible basis for Parties which can be adapted, taking into account different national circumstances and capabilities, including in revised national biodiversity strategy and action plans. The GEF-6 biodiversity strategy should facilitate the realization of synergies amongst national targets and programme priorities set out in revised national biodiversity strategy and action plans as prioritized in country-driven project proposals, while focusing on filling the highest priority gaps associated with the Strategic Plan for Biodiversity 2011-2020 and its 20 Aichi Targets.

4. The GEF-6 strategy should take full advantage of the potential synergies amongst the GEF focal areas of Biodiversity (BD), Land Degradation (LD), International Waters (IW), Climate Change (CC) – Mitigation and Adaptation. The GEF should engage key stakeholders involved in the replenishment process, including the CBD Secretariat, as has been the custom with recent strategy development processes in the biodiversity focal area in this process of formulating the GEF-6 strategy.

5. Report to the twelfth meeting of the Conference of Parties on the GEF-6 strategy taking the above into account.

⁶ See recommendation II/1 of the Second meeting of the Intergovernmental Committee (UNEP/CBD/COP/11/6)